FOREIGN AFFAIRS

Summer 1990 *$6.95 a copy*

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Theodore C. Sorensen

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The Lithuanian Crisis *Martha Brill Olcott*
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Theodore C. Sorensen

RETHINKING NATIONAL SECURITY

The touchstone for our nation's security concept—the containment of Soviet military and ideological power—is gone. The primary threat cited over forty years in justification for most of our military budget, bases and overseas assistance is gone. The principal prism through which we viewed most of our worldwide diplomatic activities and alliances is gone. That they are gone is cause for rejoicing in celebration of peace and freedom. The search for a new national security focus has begun, but if the president cannot soon lead the way to a consensus among our national security decision-makers on credible new goals to guide our basic foreign policy and military planning for the long term, the current strategic vacuum is likely to be filled not only haphazardly but unwisely as well.

II

Unfortunately neither the leadership nor the consensus has emerged thus far in this country, even on the need for a new national thesis, much less on its content. Warnings that the Soviet Union remains the foremost threat to our national way of life continue to emanate from high places in Washington, particularly in the Department of Defense. This is not wholly surprising. The Soviets remain the only nation on earth capable of bringing about our physical destruction. Soviet military weapons and advisers can still be found in trouble spots from Cuba to Vietnam. The size and irreversibility of current Soviet arms reductions have been questioned. The Soviets have been known in the past to alter course unpredictably and to try deceiving, dividing and lulling the West by putting on a temporarily peaceful face.

Moreover, it is argued, the recent Soviet change of position has been led by one mortal human being whose continuation in power cannot be guaranteed. Growing instability and separatist tendencies in a vast nation planted thick with nuclear

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missiles and armed forces are surely not cause for Western complacency. No one knows whether there is a limit to the number of defections, desertions, demonstrations and setbacks that the Kremlin can stand before a violent reaction would be triggered. Nor does anyone know whether some future turmoil in the Baltic republics, border conflict in the Balkans or ethnic violence in the newly liberated but still wobbly nations of Eastern and central Europe could escalate to a point where both Soviet and Western forces would feel obligated to intervene, not necessarily on the same side.

In short the past year's remarkable events in the eastern half of the European continent have not eliminated all danger in that region for the West. Indeed the possibility of a nuclear launch—rational or irrational, deliberate or accidental—can never be wholly eliminated. Nevertheless, in the real world of comparative risk assessment, the actual likelihood of a threat to our national security from a Soviet invasion of Western Europe or a Soviet nuclear strike—the two threats for which we are most prepared today and to which we have for so long devoted so much of our wealth, talent and attention—ranks far below a host of non-Soviet, and even nonmilitary, threats to that security.

Those U.S. leaders and experts who coolly stressed geopolitical realities throughout the Cold War—the reality of Moscow's ruthless treatment of its neighbors, its drive to export and exploit revolution around the globe, its desire to expand its ideological and military reach into the affairs of others and, above all, its capability to inflict unacceptable damage upon this country—must now face a new reality. The Soviet threat has not only been contained; it has collapsed. The Soviet empire has disintegrated. Its long-time ideology has been repudiated. Its combat forces are being unilaterally drawn down. Its military alliance is in tatters. Its attraction as a political or economic model or mentor for new and developing nations has vanished. Its ability to invade, arm, subvert, subsidize or even threaten those nations or virtually anyone else has been substantially reduced. Given the grave economic, ethnic, social and political problems that the Soviet Union faces internally, the long-term future of its present form and borders is in doubt.

A sudden full-scale reversal in course now, while not to be ruled out, would only weaken still further the Soviet Union's ability to enlist its citizens, neighbors and resources in a

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military battle against the West. Neither the American people nor America's allies will believe any longer in a U.S. national security policy based primarily on a Soviet military threat.

At the opposite end of the national security spectrum are those who have concluded that the ending of the Cold War, of the bipolar era and of any credible military danger to our continued existence also signifies an end to the very concept of national security. The global community has become too small, they argue, and the destinies of its members too intertwined for any nation to think in those narrow traditional terms. The United States has learned there is very little it can accomplish by itself even about its own international problems—for example, freeing its hostages, stabilizing its currency, safeguarding its ships and planes, halting the flood of narcotics. The constant, largely unregulated flow of acid rain, illicit refugees and electronically transmitted financial instruments across international borders, including our own, should have put all world leaders on notice that the old rules of national sovereignty have lost much of their meaning and effectiveness. Far more important than ever before are the collective security efforts that we undertake with our allies and the common security obligations that we share with mankind.

Nevertheless every country, including our own, remains a special place to its own citizens. In a world that is still heavily armed, highly volatile and increasingly complex, our instinctive obligations of national self-preservation and self-esteem require us to secure before all else the survival of our own nation's independence, institutions and inhabitants. The demise of Soviet ambitions does not assure fulfillment of our own. Even our global interests impose upon us national responsibilities, some of them more daunting as the influence we enjoyed in the role of chief protector ebbs. There is merit in the concepts of common security and collective security, and merit in the argument of those who would place those obligations uppermost; but this nation is not yet ready to ignore its own national security.

There is merit as well in the argument of those who maintain that Washington has not focused on the Soviet Union to the exclusion of other problems in recent years; that our existing foreign policy and military tools are already coping with a host of other threats to our national security, old and new; and that thus there is no vacuum in our strategic thinking or national security rationale that needs to be filled. Certainly

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instances of U.S. concerns that do not stem from our global military and ideological confrontation with the Soviets can be readily identified. Our dealings with Canada, Mexico, Japan and Israel come to mind first. These examples, however, are exceptions. Through nine administrations and 22 Congresses, virtually every dimension and deployment of our armed forces, virtually every weapon system developed, diplomatic move taken and foreign dollar expended have been shaped primarily by the need to wage and win the Cold War with communism and to prevent—or to prevail in, if we could not prevent—a hot war with the Soviet Union.

This concentration of mind and effort rested in large measure upon legitimate concerns. Not since the earliest days of the republic had a hostile nation possessed the power and possible motive to threaten our very survival. But it also rested in some measure upon political convenience. Nine successive presidents, both Republicans and Democrats, invoked the threat of international communism to help market unappetizing national commitments to the American Congress and public—commitments to station large numbers of American forces abroad in peacetime, to put American cities at risk for the protection of West European cities, to provide military, economic and technical assistance to dozens of countries around the world, and to pay for a huge defense establishment when we were not at war.

We established NATO, a panoply of other alliances and a worldwide network of military bases and access rights primarily to deter Soviet or Soviet-supported military expansion. We devoted half of a tremendous military budget and developed a host of high-tech battlefield weapons primarily to prevent a Soviet invasion of Western Europe. We fought in Korea and Vietnam, first isolated and then wooed China, imposed sanctions on Cuba, subverted governments in Guatemala and Chile, subsidized rebellions in Angola and Nicaragua, suppressed rebellions in the Dominican Republic and Grenada, placed our flag on the moon and on Kuwaiti tankers, and engaged in countless other activities—including even financing domestic education and highway construction—all in the name of outbidding, outmaneuvering or outlasting Soviet-sponsored communism.

We were wary of antagonizing South Africa, escalating conflicts in the Middle East, shunning despots in Iran and Cambodia and reducing military sales or assistance to dozens

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of dubious recipients, all because we feared the Soviets or their proxies might step in. Even poverty and injustice in developing nations were combated at least in part with the argument that any internal division or disorder could be exploited by communism, thereby threatening some vital supply line, sealane or potential spy-satellite site.

Clearly many of these measures had independent merit and would have been sought or seriously considered by this country even if there had been no Cold War. But it was easier to enlist the support of Congress and the public for these efforts, and to pledge or cite them in oversimplified election campaigns, as long as they were somehow linked to the danger of Soviet or communist expansion. That was the basis on which these measures were sold to the American public, and those who made the "sales pitch" cannot now be heard to deny their representations and warranties.

III

The present conceptual vacuum, in short, is very real. Like the astonished winner of a lottery or an upset election, the U.S. government, the morning after communism's sudden collapse, hardly knows what to do. The response thus far in both the executive and legislative branches has been characterized largely by inertia, inconsistency and improvisation. Some have rushed to find new rationales for old force levels; others have been content to warn of Soviet unpredictability and power. Some have tinkered with marginal changes in military spending, arms reduction agreements, foreign assistance appropriations and controls on exports to the Soviet "bloc," while still others have continued to back weapons, commitments and policies of increasing irrelevance. Even our transitional proposals to help the passage of East and central European countries out of communism have been inadequate stopgaps, unrelated to the longer-range challenges ahead.

To be sure, it takes time for a superpower, like a supertanker, to change direction, particularly now that such a turn in this country's foreign policies requires far broader agreement within the executive branch, Congress and the nation than it did forty years ago. It takes time as well to adjust in an orderly way a huge military structure still targeted largely on the threat of a Soviet attack (as symbolized by the aerial command post still flown round the clock in preparation for a sudden, devastating nuclear strike). Time should be taken. So

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many developments in the past year have come our way, and so few of them were foreseen in advance, that any blind rush to new long-term commitments now would be folly.

But in the absence of an early executive-legislative leadership consensus on a conceptual framework defining our national security in the post-Cold War era, that vacuum is likely to be filled by a mishmash of political considerations. Military budget reductions will reflect not actual needs but log-rolling among the services as well as pressures on the Congress from local defense plants and bases. New or continued foreign alliances, commitments and economic and military assistance appropriations will reflect not new strategic priorities but the relative strength and influence of domestic ethnic organizations and foreign government leaders and lobbyists. New policies on international trade and finance will reflect not our long-term objectives but turf battles in Washington and constituent interest groups back home.

Worst of all, the lack of a clear national direction in world affairs could open the way for a resurgent isolationism in both major political parties. Instinctively doubtful about "foreign entanglements," or too young to remember any foreign policy before the Cold War, many Americans have only reluctantly gone along while this nation put up with complaining allies, poured money into ungrateful or undemocratic governments, opened our markets to disagreeable competitors, involved ourselves in other countries' internal matters, and contributed funds to multilateral organizations in which we were consistently outvoted, all in the interest of winning friends against the Soviet empire and keeping others out of the Soviet orbit. Now there is no Soviet empire and no Soviet orbit. Nor do these recalcitrants see any other "visible" enemy to defeat or wars to be fought. Without a clear presidential trumpet to summon their support, their indifference or opposition could handicap any effective global role for this country in the next decade.

To be sure, there is no shortage of subjects competing for the label of new national security priority. On the contrary, the temptation is strong to include every favorite international cause. But not everything in our national interest is a matter of national security. Not every foreign adversity requiring action or affecting our national well-being rises to that level. The question is not merely what problems must be tackled today or what countries might pose risks tomorrow, but what kind of

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world in the next decade and beyond would best protect our values and strengths.

Too often in the past the mystique of national security has been invoked by the executive branch to justify or cloak excessive or unauthorized conduct, undeclared wars, unconventional covert operations, unaccountable secret decisions and unprecedented limitations on citizens' rights. This time a narrow definition of the term is in order.

I believe our national interests are truly threatened, for example, by the invasion of our country by illicit narcotics from Latin America, Asia and elsewhere. I believe we are truly threatened as well by damage to our nation's environment—to the air, ozone, oceans and climate upon which our very survival depends. We must stop both threats before they undo us, first stopping our own contributions to them. But we should be careful about conferring undefined yet undeniably far-reaching powers of national security on every law enforcement or military official engaged in combating either of those evils, with their potential impact on the individual liberties and business freedom of virtually every American, lest we gravely harm the values and institutions that the very concept of national security is intended to protect.

In my view, a bipartisan national consensus—essentially fixing the new terms of reference while leaving ample room for partisan disagreement on their application—could be formed around two basic national security goals for the new multipolar era, two long-term objectives deserving the kind of presidential, congressional and budgetary priority we have heretofore given to the containment of communism: the preservation of this nation's economic effectiveness and independence in the global marketplace, and the peaceful enhancement of democracy around the world.

Unlike our focus for the last forty years, these two goals—economic independence and democratic enhancement—are not primarily defense-oriented, although our defense forces will continue to have important responsibilities; nor are they primarily Soviet-oriented, although we must, as noted, remain alert to risks in that region; nor are they as predominantly Europe-oriented as our foreign policy has traditionally been. They are not as negative in nature as containment and defense, nor as costly in tax dollars, nor as easy to simplify for political purposes. But they are equally global in scope, recog-

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nizing our continuing capacity and responsibility for world leadership.

Like containment, both of the broad phrases stated above are in need of further explication and in danger of being invoked as justification for a multitude of sins. Either, if misapplied in an aggressively nationalistic fashion, could revive American failings of long ago—specifically, protectionism and imperialism—bringing resentment and retaliation from other nations and doing great harm to our own interests. Both goals, however, if pursued constructively, creatively and in cooperation with other like-minded nations, could achieve for the United States a level of security far exceeding that we have already achieved as the Cold War draws to a close.

IV

The once powerful beacon of this nation's economic strength, particularly in relative terms—relative not only to an economically ascendant Japan, a newly united Germany and Western Europe and other nations in general, but relative as well to the worldwide ranking we once enjoyed and could enjoy again—no longer shines so brightly in the global marketplace of today. We have the world's largest trade deficit. We are losing our competitive position, our market share in both domestic and export markets, in one after another of the industries in which our leadership was once vaunted: consumer electronics, machine tools, automobiles, steel, advanced computers, semiconductor chips, laser printers, and design and manufacturing technology. We have become dangerously dependent upon foreign sources for the advanced computer and semiconductor technologies that underlie modern information industries, and dangerously dependent upon foreign sources (once again) for the energy that we consume at a higher rate than any other nation to fuel our factories, homes and transportation systems. We have the largest gap between earnings and savings, the highest budget deficit (in absolute terms) and one of the lowest rates of productivity growth of any nation in the industrialized world. We have become—thanks to our trade deficit and the enormous foreign borrowings required in light of our low savings rate and large federal budget deficits—the world's largest debtor.

Does all this affect our national security? Economic strength is not a zero-sum game. America need not be number one in every category for its citizens to live comfortably and produc-

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tively in freedom and safety. Contrary to the alarm often sounded, our $5.5 trillion economy still leads the world in total economic power, manufacturing worker productivity and scientific genius. Foreign bankers and businessmen recognize the harm to their own interests that would accompany any sudden withdrawal of their capital from this country. Absolute economic independence is no longer possible in our interdependent world.

But if these trends of deficit, debt and relative decline are permitted to persist and harden into fixed patterns, this nation's economic effectiveness and independence—meaning the flexibility to make decisions and the ability to fend for oneself, which are indispensable parts of any country's national security—would indeed be endangered. The sense of well-being that has generally characterized our way of life since emerging from the Great Depression would become increasingly dependent upon investments, deposits, credits—and thus decisions—from other countries, whose objectives and values are not inevitably the same as our own, and whose decisions will be dependent at least in part upon their appraisal of our national policies. The rise and fall of our currency and our stock markets, the prospects for inflation, recession and long-term growth in our economy, the price we pay for our gasoline and the price we charge for our grain exports—all would become more subject to the attitudes and actions of others.

Our traditional sense of flexibility in foreign affairs—the ability to mount, when needed, a Marshall Plan or Manhattan Project, whatever the cost—would be severely limited. Like the United Kingdom before us, our loss of economic influence would diminish our diplomatic and strategic influence, making us more dependent on others to take the initiative on international economic problems, less of a model for others to emulate, less able than others to provide assistance to struggling democracies, and less able to decide for ourselves the fiscal, monetary and trade measures with which we promote our values and interests both at home and abroad.

Even our national pride and will, the certainty that our children will live at least as well as their parents, the belief that we inhabit a land of plenty in which no group need be denied, the self-confidence and unity essential to the successful conduct of an affirmative foreign policy, all would suffer from the realization that we have become more vulnerable economi-

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cally, that a substantial portion of our long-term assets were no longer under American ownership and control, that we were no longer among the world's top five countries in living standards, no longer the central player on a world stage where superconductors are becoming more important to the balance of power than supercarriers.

In short, unless we reverse these trends, our ability to control and protect our own destiny and daily lives—even the wages, prices, jobs, profits, home ownership and higher education opportunities of our citizens—would be threatened. Were our independence and way of life ever militarily threatened to that extent, we would prepare for war with the enemy. But the struggle and threat now are economic, not military; moreover, declaring war—a trade war—would represent a resounding defeat for our country, dependent as it is on an open trading system. Even to name and blame a supposed "enemy" would only handicap our effort to keep that system open.

That will not prevent many American politicians from discussing the trade issue in Cold War terms: singling out and verbally bashing an enemy in order to mobilize public opinion at home; dividing the world into two or three blocs in order to "contain" the other side; matching that other side move for move (in this case, meeting their closed markets with our closed markets); and focusing on the "enemy's" misconduct in order to avoid attention to our own contributions to the gulf between us. But no war, hot or cold, is in fact a useful model to meet the challenge of world trade competition.

Nevertheless two concepts from our Cold War days may be transferable. The concept of burden-sharing with Western Europe and Japan—both of whom have enjoyed chronic external balance-of-payments surpluses while we remained deep in deficit—is as fair and indispensable in avoiding a trade war as it was in avoiding a shooting war, and should be more consistently pursued. Each of the three economic superpowers—the United States, Japan and the European Community—must recognize its obligation to accept voluntarily a fair share of each other's exports (as well as those from developing nations), regardless of allegedly inherent structural impediments and differences in marketing skills and networks. Perhaps a new nonpolitical international trade equivalent of the International Monetary Fund could nudge surplus and deficit countries into balance over the long term, conditioning exter-

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nal help on internal reform, without the bilateral hectoring that so often merely stiffens intransigence.

In addition, the concept of mutual deterrence, under which the two nuclear superpowers have fulfilled for so long their wider obligation to the world community not to make reckless use of those ultimate weapons, could be matched by a similar undertaking now by the three economic superpowers not to engage in any firing of those ultimate economic "weapons" that could escalate into a shutdown of the world trading system. Instead they must collaborate in strengthening and enforcing the General Agreement of Tariffs and Trade rules to halt collusive arrangements, nontariff barriers and other unfair trade practices.

But this country, while dispelling any impression that its efforts to open foreign markets on a reciprocal basis to American exporters can be endlessly delayed, must also attack the domestic roots of our problem: our high budget deficits, low rate of domestic savings and investment, high cost of capital, lag in technological development, inadequate educational and job-training systems, even our frequently improvident attitudes as individuals toward quality performance and products.

We have not permanently lost the technology race, for example. The same kind of effort that we mounted to achieve technological superiority in the military arena must now be mounted to integrate our military technology with commercial activities, to translate our edge in basic research and innovation into competitive and marketable high-tech products, to become more adept at improving existing industrial technologies, and to move those improvements more quickly to market with firm control of both cost and quality. But any significant U.S. expansion of investment in new product research, development and industrial facilities will require, among other things, a recognition of their importance to our national security and thus the folly of continuing to devote federal funds for research and development almost exclusively to military and space uses.

Winning the competitiveness struggle will also require the application of more funds and talent to our educational system. This country will soon face a serious shortage of experts with engineering Ph.D.s, which are increasingly pursued in our own universities by foreign instead of American students. Our secondary school students, compared to those in

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other trading powers today, receive less training in math, science and foreign languages during a shorter school day in a shorter school year in an inadequately supported public school system. We have long recognized the importance of improved education to individual and family security. Now, more clearly than ever, it has become a matter of national security.

V

The second priority that I urge, the peaceful enhancement of democracy around the world, is consistent not merely with the moral impulse traditionally underlying American foreign policy but with our long-term national security requirements as well. A global community of free nations adhering to the democratic principles of pluralism, human rights and equal opportunity under law would be a far safer and friendlier world for the United States. History tells us that governments that respect the rights of their citizens are more likely to respect the rights of their neighbors. They are less likely to generate the kind of regional, racial and religious conflicts, terrorist tactics and conventional, chemical or nuclear arms buildups that threaten the peace and unity of the world, on which our own long-range security rests.

Facilitating democracy in those countries that wish it is a role for which the United States has some preparation. From Wilson's Fourteen Points to Kennedy's Peace Corps, we have been less imperialistic and more generous toward weaker nations than any other major power in history. Several U.S. agencies have experience in democratization, much of it positive. The fortunes of war imposed upon us unique responsibilities to lay foundations of freedom in the Federal Republic of Germany and in Japan; on the whole we met both responsibilities ably. President Truman was intent on furthering the construction and reconstruction of democratic institutions around the world before Stalin's increasingly aggressive posture began to dominate American thinking.

Since then our record in peacefully encouraging other nations to move toward democracy has been mixed. President Kennedy's Alliance for Progress had some successes and some failures before it was abandoned by his successor. President Carter's emphasis on human rights still reverberates. Today we are hopeful about Namibia, South Korea and the Philippines, and less so about South Africa and Haiti, but a final judgment on any of them would be premature. The relatively

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new National Endowment for Democracy (NED) clearly helped the democratic process in Chile and elsewhere; but thus far, compared to other industrialized nations, we have been largely onlookers in the democracy movements of Eastern and central Europe and southern Africa.

Where we have most clearly failed has been in our recurrent attempts to impose democracy on others by force of arms or covert operations. Democracy by definition depends upon the voluntary support and sense of responsibility of the indigenous population. Local officials who govern with the consent of U.S. military or intelligence advisers are not governing with the consent of the people. We have no wish or right to engage in what Dean Acheson once called "messianic globaloney" to direct the destiny of peaceful peoples; and we do not wish other powers to do so either. The "enhancement of democracy" must not become an excuse for U.S. military action or uninvited internal meddling in nations that fail to meet our standards but pose no viable threat to others.

Those standards must be set with tough-minded care, consistency and flexibility. We should look not for pawns or clones of the United States, not to our list of current arms and aid recipients, not even for loyal allies alone, but for authentic democracies. Inevitably we will have preferences, including those democracies with whom we have historical ties and those whose economies have been damaged by wars we urged or fueled. But not every self-proclaimed democracy deserves either that label or our support. Not every mistreated regional, tribal or ethnic minority proclaiming the right of self-determination deserves our embrace, if the community of nations is not to splinter into a welter of politically unstable and economically unsustainable units. Nor will every object of our embrace be of strategic significance in traditional balance-of-power terms. Nor will all of them feature an unmixed market economy or support our every position in the United Nations or in regional conflicts. A world "made safe for diversity" must take into account historical, cultural, social and economic differences.

But our financial, military and other support for oppressive and corrupt regimes in Africa, Asia, the Middle East and Latin America should now come to an end. No longer can they play off one superpower against the other. No longer can we maintain that their willingness to speak in opposition to Soviet expansion is more important than their willingness to tolerate

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serious opposition parties and newspapers at home. As new democracies emerge seeking from us financial and other forms of assistance, we will have reason enough to move away from those unwilling to adopt true reforms. We do not intend to dictate self-righteously their form of government, but neither are we obligated to support dictatorial forms of government.

The passage of nations from dictatorship to freedom is inevitably slow, difficult and often impermanent. Facilitating that passage is not simply or even primarily a matter of economic assistance. Indeed foreign aid is frequently wasted if the stagnant bureaucracies and stifled educational systems of the old regimes do not simultaneously give way to new governmental and legal structures. Free political institutions do not spring up and succeed automatically with the first loud blast of freedom's trumpets.

Considerable concern about the export of this country's superficial political "packaging" methods attended the arrival of American campaign consultants last winter in the new democracies of Eastern and central Europe. But pragmatic hands-on advice was in fact urgently needed by those who had never been candidates, party organizers, election commissioners or opinion pollers in an open society. Practical politics in this country, whatever its flaws, has a unique attraction for those hoping, as a result of their harsh experience under communism, to build new political parties that are less ideologically oriented, less structured and less dominated by strong leaders.

It is undisputed, however, that more than techniques and tactics are required to develop the institutions of democracy. As Czechoslovakia's President Václav Havel pressed upon the U.S. Congress, those who have long been lacking not only experience but also information about human rights principles and political reforms are hungry to learn more—how to build a truly free legislature, an independent judiciary, a restrained police authority, a system of responsible local governments and a civilian-controlled defense force. Acknowledging the major role that West Europeans and others will also play, the United States—through the Agency for International Development (AID), the U.S. Information Agency (USIA), NED and others—can surely supply whatever expert consultants, lecturers, election observers, legal precedents, textbooks and instructors these nations may request from us.

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In addition to free political institutions, free economic institutions must also be in place to make economic assistance meaningful. From agriculture and banking to transportation and energy, from the establishment of new enterprises and export markets to true cooperatives and trade unions, the need for technical and practical advice from the United States and others is enormous in these nations, North and South, making their way to freedom. The process of privatization, the prevention of monopolies, the avoidance of gross economic inequalities and predatory business behavior, the proper use of economic incentives, the organization of effective joint ventures and free enterprise zones—these are but a few examples of American know-how of interest and value to these infant democracies.

Nor is economic assistance confined to transfers of funds, food, fuel and medical supplies, important as they are to nations in transition. Food assistance should reflect their needs as well as our surpluses. Trade preferences and credits, debt relief, commodity agreements, investment guarantees, technology transfers (including pollution controls) and access to international finance and trade organizations are also essential to economic growth in these countries.

Building a stable and enduring democracy, always difficult, is even more difficult when complicated by the kind of massive economic problems faced today by new democracies in Europe, Central America and Africa—the very problems that contributed ultimately to their rejection of a Marxist state. Our objective must be not only the short-term alleviation of hunger, human misery and poverty but, more important, the establishment of long-term practices and policies that will strike at poverty's roots and make sustainable over the long run their economic growth and independence. Sustainable economic development requires curbs on excessive population growth and the emancipation and education of women regarding their choice of family size. It also requires effective curbs on environmental degradation, on the long-term poisoning of a nation's land, water and air resources that will ultimately defeat any economic recovery. Our assistance must stress both requirements.

Foreign aid that merely increases government bureaucracy, corruption and rigidity in a recipient country is worse than none at all. Foreign aid that is quietly but consistently conditioned upon a country's promulgation of political reform,

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human rights and free and fair elections should become a more common practice. No nation would be required to accept either our economic aid or our political philosophy, but neither should this nation feel required in the post-Cold War era to subsidize repression.

VI

As our priorities change, so must we change a federal budget that now allocates to foreign assistance less than five percent of the amount it allocates to national defense. The Congress should not again be asked, as it has been asked this year, to allocate funds for new democracies on a one-shot, country-by-country basis with no overall plan or direction. It should not again be tempted to renege on U.N. dues in order to find money for demobilization and reform in Central America; to juggle scarce funds among programs for refugee relief, defense reconversion, Namibia's transition and Panama's reconstruction; to choose between helping freedom among the nations of Eastern Europe, for which we have striven for so long, and freedom among the poor and developing nations of the southern half of the globe that are far more likely to be future sources of regional or even global warfare.

Our armed forces are not about to be confined wholly to our own shores. Whatever new "architecture" the leaders of Europe may initiate with our help, whatever new roles and new boundaries for NATO, the European Community and the Conference on Security and Cooperation in Europe may evolve, a credible American presence—dramatically reduced but not vanished militarily, and substantially increased both diplomatically and economically—should remain on that continent so long as enough Europeans seeking a counterweight (but not a military antagonist) to a reformed Russia, a resurgent Germany or recurrent European rivalries wish us to remain. The nations of the Warsaw Pact alliance will continue to require our vigilant attention, doing whatever we reasonably can do to facilitate further internal reforms, arms reductions and troop withdrawals. Nor can we precipitously abandon our presence and commitments in the Far East, where a substitution of Japanese for American protection would not be welcomed by all.

Nevertheless a fundamental reexamination of our national security posture should result in an American military ma-

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chine vastly reshaped and reduced, reoriented more toward the speedy projection of conventional deterrent forces to other parts of the world, toward local low-intensity conflicts and terrorist activities, toward hostile acts by undemocratic and unpredictable governments in such countries as Libya, Iraq, Iran, Cuba and North Korea, toward the defense of strategic resource supply lines and the interdiction of illicit narcotics supply lines, toward curbing the proliferation of nuclear, chemical and ballistic weapons capabilities, toward verifying the implementation of arms control agreements and even providing disaster relief, infrastructural engineering and refugee shelter and transport in the least fortunate parts of the globe. These tasks, however important, clearly do not require the same levels or the same types of U.S. personnel, missiles, planes, ships, submarines, tanks, military bases or military spending as the threat of a Soviet attack.

Reorientation will not be limited to the Pentagon. The National Security Council, originally intended to integrate military and nonmilitary analysis, will need to expand its capacity for the latter, relying on fewer generals and Kremlinologists and more economists and election analysts, inviting to its meetings experts rarely invited in the past: from Commerce, Agriculture, the U.S. Trade Representative's office, the Environmental Protection Agency, the Council of Economic Advisers and nongovernmental organizations as well. The State Department will need to devote more attention to its stepchildren in USIA, AID, NED, the Peace Corps and other multilateral diplomatic and financial organizations. The CIA will need to find more experts on Germany and Japan as well as the Soviet Union, on Islamic fundamentalism as well as Marxism-Leninism, on industrial as well as military espionage, and on oil-field as well as battlefield defense.

But the most important change of all is that required in the attitude of the American people and their elected leaders in Washington. Today, as a result of more than forty years of patient and prudent determination, we are on the threshold of securing the kind of world of which we have heretofore only dreamed, a community of democracies united by their commitment to law and peace, neither threatened by hostile armies or ideologies nor dominated by any one nation politically or economically. Because we have the largest economy, the most wealth and one of the lightest tax burdens of any industrialized nation in the world, because we are the only nation that is

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an economic as well as a military superpower, we have both the obligation and the ability to play a principal role in building that kind of world. Multipolarity means that we should be only one member of the team in that effort. But at least we will be on the field of play and not merely a cheerleader or spectator on the sidelines.

Unfortunately, with neither foreign enemies nor domestic leadership to spur the American public to new and greater efforts internationally, our political thinking in recent years on the range of issues discussed above has been characterized by caution and deadlock, focusing on limiting our public revenues but not our private consumption, on constantly polling the voters but not enlightening them. In past years, this country, whether challenged with world war or Cold War, responded boldly and decisively. If we continue now to think small, talk poor, preach gloom and always place our individual private interests ahead of the public good, we will gradually lose respect as well as relative strength and influence in a world that will not wait. But if we can elect leaders with the courage and wisdom to make the difficult choices required among the many demands on our government and resources—and forge a consensus on those choices—if we can put to constructive use those additional resources that the ending of the Cold War has made available to us (provided we have the good sense to utilize them), then the prospects for maintaining this country's genuine national security in a genuinely free and peaceful world will be very bright indeed.

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Allen Lynch

DOES GORBACHEV MATTER ANYMORE?

The end of communism in Eastern Europe and the pending unification of Germany mark the political collapse of Russia in Europe. The rapid decline in the capacity of the Soviet/Russian state to influence the settlement of important geopolitical issues has been so thorough that Soviet political influence in the central theater of world politics is lower now than at any time since the mid-eighteenth century, when the Russian state first emerged as a truly European power. Even during the nadir of its power in the 1920s and 1930s, the Soviet state inspired fear—or hope—far beyond its borders in ways that now seem nearly incomprehensible. Only the remarkable political skills of Mikhail Gorbachev obscure this disintegration of international influence. In its scale and speed, this collapse finds no precedent in the more leisurely and controlled declines of the French, British, Austrian, Ottoman and Spanish empires.

II

The reestablishment of the historical divide between Russia and Europe almost perfectly reflects the logic of Gorbachev's reform process. In his effort to reform a failed Soviet system, Gorbachev has set in motion powerful domestic and international forces. In principle these forces should support his program, but in practice they have moved beyond the point where Gorbachev—or any Soviet leader—can control or easily influence them. In order to preserve the momentum of radical reform at home, Gorbachev has found it necessary to accommodate political tendencies that he certainly did not intend to countenance at the outset of his rule in 1985.

Gorbachev's strategy has worked to dramatic effect in foreign policy. In the case of intermediate-range nuclear forces in Europe, disproportionate Soviet reductions cemented détente with the United States and removed a significant military

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threat. Moscow now apparently hopes that the momentum toward the demilitarization of the East-West relationship will make irrelevant the details of relative force balances and tactical concessions. The willingness to tolerate the complete integration of East Germany with West Germany also suggests that, faced with inexorable historical forces, the U.S.S.R. is hoping to benefit from a transformed German-Soviet relationship in which Soviet influence will be felt as part of some all-European process.

Regardless of hopes for a Pan-European structure, however, there is simply no way back to Eastern Europe for the Soviet Union. Moscow now confronts the unsettling prospect of practically all its erstwhile allies, at least the important ones, reclaiming their European heritage, which they define in explicit contradistinction to Russia. Within the year, all Soviet troops will leave Hungary and Czechoslovakia, with those in East Germany not far behind. (A token force may remain in Poland, at Polish request, as reassurance of the Polish-German frontier.) The future ability of Moscow to make its preferences felt in the councils of Europe will now depend on Soviet economic performance. Even to state that proposition underscores the difficulty of the Soviet Union's position in international affairs.

The West has been the beneficiary of the weakening of Soviet power. Concerned opinion, however, reflects worries about Gorbachev's domestic political position and the implications of a reversal of his policies or his removal from power. It cannot be denied that the disappearance or marginalization of Gorbachev would have a detectable impact on Western international interests; Gorbachev is undoubtedly central to the scope and pace of the Soviet Union's domestic and international reforms. The probability of such a reversal aside, however, it is now unlikely that a change in Soviet leadership, or a change in the pace, scope and character of reform, would have a corresponding impact on East-West relations and the most vital geopolitical interests of the United States.

Events have come to the point where there can no longer be a question of a return to some mythical status quo ante for the Soviet Union. The depth, strength and complexity of the modern Soviet state preclude a return to a neo-Stalinist political and institutional order. Any Soviet leader proposing such a path would have to address the following questions: How could a return to hypercentralized methods of adminis-

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tered economics and politics cure any of the problems now universally recognized as afflicting Soviet society? How could such a course prevent the permanent placement of the U.S.S.R. on the margins of international economic and political life?

The large number of Soviet politicians and officials unsympathetic to Gorbachev's vision of radical reform have failed to address these questions concerning the future power status of the Soviet state. This failure has prevented them from translating their opposition into an alternative political program and has thus assured Gorbachev's place in authority. Current Soviet reform is not rooted simply in the massive failure of the economy, which has already resisted all previous efforts at administrative tinkering. Soviet reform is now deeply rooted in sociological forces that have, in classic Marxist fashion, outgrown their institutional integument, rendering it obsolete.

III

Before entertaining ideas of the collapse of the East-West détente in the unlikely event that Gorbachev or his policies are somehow reversed, it is necessary to keep in mind the complex of internal and international forces that will now shape any Soviet leader's foreign policy.

The overwhelming forces that have changed and constrained Soviet international conduct are those rooted in the breakdown of the Soviet system. That breakdown has progressively hampered Moscow's ability to achieve its stated goals at home and abroad. The Soviet Union's traditional, ideologically infused vision of its interests and objectives is now recognized as incapable of even diagnosing the miasma into which the state has fallen. The resultant decline, and in some areas even collapse, of the key indices of economic and social performance has raised domestic reconstruction to a commanding priority. It is telling that the most compelling advocate of the primacy of domestic policy is now the Soviet foreign minister, Eduard Shevardnadze. The urgency of repairing the economic, social and—in the Soviet leadership's own words—moral damage to a society subjected to decades of Stalinist and neo-Stalinist political practice has placed domestic considerations far above international concerns.

The failure of the Soviet economy affects the ability of the Soviet state to engage in external commitments demanding substantial material resources. An economy yet to master the

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first industrial revolution, one that, according to Gorbachev, is the result of twenty years of progressively declining growth rates and traumatized by an effective depression in the early 1980s, is in no position to sustain the role of a major international power.

More profound is the strong desire, spanning the Soviet political spectrum, to redefine the basic values of society. From the "social-democratic" left, through Gorbachev, to even the Russian nationalist right, have come calls for a different Soviet foreign policy and a changed international environment for the Soviet state. A more benign international political-military environment is perceived as the wider domain of Soviet domestic reform. The primary task of Soviet foreign policy is now to shape an international environment that facilitates the reshaping of the domestic political agenda. Invoking the foreign threat no longer helps to achieve Soviet internal objectives. Cohesion is now recognized as coming from within. In fact, any effort at coalescence by creating an external bogeyman would be seen as a mark of the failure of the current reform program.

Another element also argues strongly for the continuation of a revisionist foreign policy under any likely future political dispensation: Gorbachev's diagnosis of the current Soviet crisis is broadly accepted. Despite the actual differences within the Soviet political class and Soviet society over the scope and pace of reform, Gorbachev has effectively defined the parameters for all future debate. Even the conservative Yegor Ligachev, who is widely seen as an alternative to Gorbachev, can argue his case only within the framework of perestroika. Ligachev's speech in February 1989 at the truly extraordinary meeting of the Soviet Communist Party's Central Committee, although widely interpreted as an assault on Gorbachev, actually bears witness to the degree to which Gorbachev has redefined the Soviet political agenda. Whatever his reservations about the reform program itself, Ligachev accepted Gorbachev's analysis of the crisis of the system; he accepted Gorbachev's reform strategy as the only realistic choice, and he supported Gorbachev as the man best able to achieve the goals of reform. This demonstrates that there is no apparent alternative to Gorbachev, in terms of either programs or individuals. More important, it shows there is a strong consensus on the need for reform, and thus on the near absolute priority of economic, political and social development.

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IV

International factors are also shaping and constraining contemporary Soviet foreign policy. For years certain Soviet analysts, many of whom now occupy influential positions in Gorbachev's administration, have attempted systematically to assimilate the meaning of international developments, such as the impact of nuclear weapons on world politics, the prosperity, stability and cohesiveness of the West, the emergence of a communist China as an external threat, and the cost and difficulty of sustaining influence in far-flung regions of the Third World. These analysts, increasingly pragmatic, skeptical and even pessimistic, were reinforced in the 1970s by the impact of other new forces: the information revolution, the collapse of a strict bipolar world order, the costs to the Soviet Union of remaining aloof from an ever more interdependent and obviously mutually profitable international economic system.

The existence of such intellectual and analytical currents did not by themselves translate into meaningful political influence within the Soviet system. International circumstances sharpened the assessments of Soviet policy and accelerated the dynamics of internal change. The policies of the early Reagan administration had a particularly strong impact. Whatever the administration's precise intentions, its policies coincided with the critical stasis of the Soviet political and economic system. The harsh tenor of the early Reagan years thus clarified certain choices for the Soviet leadership and facilitated Gorbachev's implementation of a clean break with past Soviet foreign policy.

The strong ideological tone adopted by the Reagan administration in 1981, together with its downgrading of arms control, eventually shattered a strong consensus in Moscow that there were strict limits to hostility intrinsic to the Soviet-American relationship. After its frustration with the Carter administration, Moscow initially considered a Republican president a more reliable partner for détente. But Reagan's more aggressive tack deeply unnerved the Kremlin and discredited the prevailing paradigm of Soviet-American relations among the political class at large. This proved to be a necessary, though by no means sufficient, condition for the sea change in Soviet foreign policy undertaken by Gorbachev.

The promulgation of the Strategic Defense Initiative in

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March 1983 also triggered a latent sense of alarm in Moscow over growing internal and international power trends. Although perhaps not by Washington's design, SDI proved essential in forcing Moscow's formal reevaluation of the relationship between Soviet military power and security interests. SDI threatened to call into question the decades of investment in strategic nuclear weapons and parity with the United States. It also portended a new and apparently limitless high-tech competition for which the U.S.S.R. was ill prepared, and one in which the Soviet Union would constantly be reacting to terms set by America. SDI suggested to Soviet leaders that the traditional quantitative approach to the arms race and arms control was at an end. After SDI Soviet experts, and Gorbachev himself, began to question the relationship between parity and strategic stability. For the first time, the Soviets publicly recognized the desirability of maintaining mutually assured destruction, at least as a transitional security order. It is hard to imagine that the Reagan administration could have envisaged the traumatic impact SDI would have on Soviet leaders, or the role it would play as a catalyst for the rethinking of security interests and strategic concepts that many in Moscow had already begun.

A similar effect could be discerned in the Reagan administration's deployment after November 1983 of intermediate-range nuclear missiles in Europe. This successful deployment discredited Moscow's strategy of neutralizing NATO by appealing over the heads of governments and directly to popular antinuclear sentiment in Europe. Moscow's diplomatic strategy of pitting the interests of key NATO capitals each against another had failed. This diplomatic defeat dramatically increased the threat to the Soviet military's ability to prosecute its preferred conventional option in Europe. It also undermined the value of seeking Soviet security by military means and at the expense of the security of others.

Similarly, American support for the Afghan resistance materially raised the cost of the Soviet military presence in Afghanistan, making the maintenance of the status quo increasingly untenable for a Soviet leadership hard pressed by problems at home. The United States did not by itself force a reversal in Soviet policies, but the cumulative effect of these policies, including the rhetorical and budgetary commitment to high levels of military spending, coincided with a kind of latter-day "scissors crisis" in Soviet foreign and security policy.

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v

The interaction of these international and internal circumstances sharpened the choices and accentuated the costs of existing policies for the Soviet leadership. By the mid-1980s the choices had become so stark, and the opportunity costs of not making them so high, that it was easier for Gorbachev to make a clean break with the past than would otherwise have been the case.

Almost any Soviet leadership confronting the same set of internal and external dilemmas in the mid-1980s would have favored a reorientation of energies toward domestic affairs and a dramatic amelioration of tensions with the West. Gorbachev's foreign policy philosophy of "new thinking" had its intellectual roots in the Brezhnev period. Discussion of the very concept of new thinking predates the Gorbachev period and appeared in work published in late 1983 and early 1984, a year and a half before Gorbachev assumed power. Moreover the intent to turn around Soviet-American relations was strongly expressed in the fall of 1984 by Gorbachev's predecessor, Konstantin Chernenko.

It was Gorbachev, however, who was in a sense able to realize the Brezhnev agenda in Soviet-American relations, i.e., to reestablish arms control as the central defining element of the superpower relationship. This agenda now aimed not only to create a ceiling for future force levels, but to facilitate Soviet reform at home. In fact, for the Brezhnev leadership, détente was in many ways a substitute for domestic reform. But the exaggeration of the Soviet "threat" in the West undermined the possibility that a comprehensive, geopolitical détente could be maintained with Brezhnev's Soviet Union. Important domestic forces in the United States failed to accept the original, highly competitive concept of détente put forward in 1972 as a decisive contribution to a "generation of peace."

The recent talk about the end of the Cold War obscures the fact that in substantive political terms the Cold War had been put to rest by both East and West in the period between the late 1950s and the late 1960s. During that time both sides accepted that a stable balance of power—economic, political and military—had been created in Europe, and nearly all parties were satisfied with the de facto resolution of the German Question in the form of two German states in separate alliance systems. In substantial measure, what had come to

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drive the East-West relationship was the set of images, instruments and institutional interests generated by the Cold War itself. The perceptions of threat, the large standing military forces and the entrenched military-industrial complexes of both sides were scions of the Cold War in its substantive political stage. They outlived the period in which they were born, however, and came to shape the East-West relationship thereafter.

Gorbachev's decisive contribution to Soviet foreign policy and East-West relations was to address these epiphenomenal aspects of the Cold War. He sought to ensure that parochial institutional interests would no longer drive the political agenda in East-West affairs. Given the character and scale of his domestic tasks, Gorbachev needed to assert the primacy of politically determined interests in Soviet foreign and security policy. He then extended that same primacy of politically induced change to the East-West international agenda.

The classic, early instance of Gorbachev's strategy involved the agreement on intermediate-range nuclear forces in Europe. Although it appeared to many as a victory by capitulation, seen as a tactical concession, the disproportionate Soviet reductions transformed the domestic American debate on U.S.-Soviet relations and cemented détente as the only viable policy for the foreseeable future. Thereafter the only politically realistic debate could be over the terms of that détente, not over its desirability. Gorbachev's impatient determination to conclude a quick arms control agreement with the Reagan administration puts in relief what would otherwise be seen as a dramatic Soviet capitulation.

In the same vein, Gorbachev's remarkable acquiescence in the disintegration of communist power in Eastern Europe reflects his understanding of the nature of concession. Although he believed almost until the end that reform was compatible with Soviet-informed values, by ultimately dissociating the fate of the internal political order in Eastern Europe from the nature of Soviet security interests, he prevented a backlash against his own position at home and defused the inevitable pressures for intervention that would have accomplished the same purpose.

The abandonment of communist ideology in Eastern Europe certainly reflects the historical decline of Soviet political hegemony in that region and by extension on the international stage. But relinquishing control of Eastern Europe was the

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only way to maintain course on the now transcendent Soviet political objective: the comprehensive reconstruction of the Soviet economic, social and political order, which is itself the precondition for any future power of the Soviet state. Much the same may now be intended in the obviously reluctant Soviet acquiescence to German unification on West German terms. What appears as capitulation on a historical scale may well represent an effort to accommodate the inevitable forces of change and, in the process, to redefine the very significance of the problem facing the Soviet Union. Gorbachev's political sleight of hand will seek to transform the stakes for the Soviet state, and the commitments they entail as well.

VI

In this sense Gorbachev has proven decisive in effecting a veritable breakthrough in East-West relations: he has been the right man at the right time. Yet, for a number of reasons, it is less certain that Gorbachev will prove as decisive to the future of East-West relations.

—First, the expanding network of international treaties and agreements—especially in the field of arms control—dramatically raises the price of a reversal in Soviet policy. The Stockholm Conference on Disarmament in Europe, held in 1986, which elaborated a series of military confidence-building measures in Europe, illustrates the point. The Soviet Union and the United States, faced with political alienation from all of Europe if the conference collapsed, amicably and quickly settled their apparently irreconcilable differences. Progress since then, and the incorporation of detailed verification mechanisms, has further raised the price of a policy reversal for any future Soviet leadership. Moreover, since that price also includes risking valuable economic ties and the renewal of a political-military competition without the Warsaw Pact allies, it will remain a most effective deterrent.

—Second, largely due to the impetus provided by Gorbachev himself, the course of political events in Europe is no longer within the control—or even easy influence—of the Soviet state. There is simply no way for Moscow to retrieve its position in Eastern Europe, at least not in any way resembling the hegemonic pattern of the postwar period.

—Third, the means to regain some illusory status quo ante—above all, the requisite economic power—now elude the Soviet state and will remain extraordinarily difficult to obtain.

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—Finally, under any future political dispensation in the Soviet Union, domestic affairs will retain a nearly absolute priority on material and political resources. Soviet leaders are already increasingly absorbed in preserving some minimum sense of national unity consistent with the aspirations of the non-Russian peoples of the U.S.S.R. Preoccupation with what Russians call the "international relations" within the Soviet Union itself practically assures the marginalization of Soviet Russia in global affairs. This is as true for any future Soviet or Russian leadership as it is for Gorbachev today.

VII

What of a Russian nationalist coalition? What will become of the increasingly disaffected military, party and blue-collar elements that find their positions threatened by genuine political and economic reform? Certainly a reactionary Russian dénouement would be the antithesis of everything for which Gorbachev has stood. Any attempt to protect the interests of the allegedly exploited Russian nation in coercive ways would jeopardize the personal and political fortunes of those who have already committed Soviet society to the path of radical reform. Such a turn, moreover, could end the already uncertain prospects for the U.S.S.R. to pull itself into the 21st century.

Even such a reactionary swing toward Russian self-preservation could not reverse the fundamental direction of Soviet foreign policy or East-West relations. The enormous domestic and international constraints on the Soviet Union aside, an explicitly nationalist leadership would provoke such a hostile reaction from Soviet non-Russians that the consequent civil turmoil would paralyze the state and absorb any energies that might have been devoted to international affairs. Thus even a worst-case alternative to Gorbachev would complete the marginalization of Russia from international life.

The future challenge to international stability implicit in the forces Gorbachev has set in motion is not the prospect of his overthrow or the advent of some preconceived aggressive design against the international community. It is, rather, the possible spillover of the explosive social, political, economic and nationalist currents from within the Soviet system into the international arena, especially in Eastern Europe. Despite his heroic efforts to redefine the terms of affiliation with the Soviet federation for Russians and non-Russians alike, Gorbachev

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has less and less to say about what shape and direction these nationalist forces will take. While it is preferable to the West that Gorbachev remain at the helm of the Soviet state, the irreducible American interest in a plural distribution of geopolitical power in Europe is now assured, independent of events in Moscow.

The stakes for West Europeans are somewhat different. Europeans are naturally more sensitive to the relative balance of political and economic power, while for the United States it matters only that such a balance exists. The management of the German Question is thus at heart a matter for Europeans. The most important internal and external forces buffeting the Soviet Union are systemic in nature and will themselves shape the range of choices facing any Soviet leader. This situation provides the foundation for a stable long-term relationship between the Soviet Union and its neighbors because it is rooted in powerful geopolitical and economic realities, not the political skills of one man. The sooner the West relinquishes its fascination with Gorbachev, the sooner it can assume the responsibilities of a sober long-term analysis of the foundations of its relationship with the U.S.S.R. and their consequences for peace.

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Martha Brill Olcott

THE LITHUANIAN CRISIS

For over two years Lithuania has been moving toward reclaiming its independence. This drive reached a crescendo on March 11, 1990, when the Supreme Soviet of Lithuania declared the republic no longer bound by Soviet law. The act reasserted the independence Lithuania had declared more than seventy years before, a declaration unilaterally annulled by the U.S.S.R. in 1940 when it annexed Lithuania as the result of a pact between Stalin and Hitler.

The decision to push for independence was made only about two weeks before its announcement by Sajudis, the Lithuanian Movement for Perestroika. The declaration reflected a consensus on the desire for independence, not its timing or the means to achieve it. Despite these differences, however, and the hardships a fight for independence promises, virtually all Lithuanians continue to support sovereignty for the republic—including a majority of the republic's non-Lithuanian residents.

Soviet President Mikhail Gorbachev initially assumed independence was a "card" Lithuanians were trying to play, that they could be made to back down through the threat of force and the promise of political and economic autonomy. When the strength of Lithuanian resolve caught Moscow by surprise, Gorbachev changed his strategy. He apparently decided that threats and promises would not suffice and, after a 48-hour warning period, on April 13 he began to cut supplies of oil and natural gas to the republic.

From the onset of the crisis Gorbachev was aware that his stand against Lithuania risked his hard-earned rapprochement with the West. He nonetheless chose a course of economic embargo, conscious that his foreign policy initiatives hung in the balance. This gamble may yet pay off. President Bush and West European leaders have decided that their fifty-year support for Baltic independence is an indulgence no longer sustainable in the post-Cold War world. Their position

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is that the political future of three small states, with fewer than ten million people among them, must not jeopardize the emergence of a new security order in Europe or undermine the processes of political democratization and economic decentralization in the U.S.S.R.

Without outside support the Lithuanian republic will eventually be broken by Moscow's economic embargo. Popular support for the Lithuanian president, Vytautas Landsbergis, must eventually erode when the lights in his republic are slowly dimmed and the shelves laid bare. The Lithuanian government has already agreed to suspend some of its independence legislation in an effort to negotiate a compromise with Moscow and, before his Washington summit visit, Gorbachev yielded and met with Prime Minister Kazimiera Prunskiene. While Gorbachev's policies may lead Lithuania to temporary submission, they will not necessarily end the U.S.S.R's other politically divisive secessionist movements and nationalist conflicts, or preclude the possibilities of outbreaks of major violence.

II

Gorbachev's failure to defuse the Lithuanian secessionist movement long before the republic declared independence remains unexplained. Although the steady increase in political activism in the Baltics since August 1987 should have provided ample warning of an approaching challenge to the legitimacy of Soviet rule, Moscow was apparently unprepared for the strength and depth of the protests that emerged in Lithuania, as well as in Latvia and Estonia.

Glasnost and perestroika were slow to come to the Baltic republics. The old first secretary of the local Communist Party, Petras Griskevicius, served as Moscow's satrap in Lithuania for more than a decade until his death in 1987. Griskevicius, who had faithfully toed an old Brezhnev policy line, was replaced by Ringaudas Songaila, also no reformer. In fact, there seemed to be a deliberate policy on Moscow's part to introduce reform slowly in the Baltic republics. Despite the resistance to perestroika provided by these party secretaries, however, domestic reforms elsewhere in the Soviet Union continued to raise expectations among the Baltic peoples that some of their long-standing grievances with Moscow might be addressed.

Since the late 1970s even casual conversation with Baltic intellectuals exposed the thinness of their loyalty to the Soviet

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system. While active dissidents were few, their ranks decimated by the periodic arrests of their leaders, most other Lithuanians only grudgingly participated in official Soviet life. For Lithuanians the ever-present Communist Party served as a constant reminder of their occupation by a foreign power, a power that had imposed a foreign language, foreign institutions and foreign symbols on their republic.

Demonstrations began mounting in the Baltics in 1987 after Gorbachev called for a reevaluation of the legacy of Stalin's nationalities policy. In this way, Gorbachev himself helped to legitimize questioning of the past. Crimean Tatars began protests that summer over Moscow's collective deportation of their people during World War II. Gorbachev then appointed a commission headed by Andrei Gromyko to investigate Tatar demands. Lithuanians saw these actions as a fissure in the smooth facade Moscow had once used to cover Stalin's policies, and soon began protests of their own. The Lithuanian Freedom League, a group committed to the peaceful overthrow of communist rule in Lithuania and inactive since the arrest of its principal leaders in the late 1970s, reemerged in August to sponsor a demonstration of several hundred people in Vilnius mourning the anniversary of the signing of the Ribbentrop-Molotov pact.[1] Similar demonstrations were held in the other Baltic republics. Though the demonstrators were harassed by police and abused in the press, they were not prosecuted for their actions.

By Lithuanian accounts these demonstrations changed the political climate of the republic. The Freedom League organized several other public protests in late 1987, some ending in confrontations with police. But as one Lithuanian has explained, "Sometime in this period we simply lost our fear, and decided that it was finally time to try and live like free people again." It was this gradual change of disposition in the republic that explains why the Freedom League's protest on February 16, 1988, to mark the seventieth anniversary of the birth of the republic, became a mass demonstration against Soviet rule, and why since that time Moscow has been unable to reassert political control in Lithuania.

Dissent and political organization was growing outside the ranks of the Communist Party. Lithuanian "Greens" organized

[1] For a detailed account of events in Lithuania in 1987 and 1988, see Stanley Vardis, "Lithuanian National Politics," *Problems of Communism*, July-August 1988, pp. 53–76.

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early in the spring of 1988, the first unofficial political group the republic had seen in more than forty years. This ecology movement had an understated but obvious nationalist agenda: to counter Moscow's despoliation of Lithuania's environment. In the aftermath of the Chernobyl nuclear accident, it targeted the Ignalia Atomic Energy Station, Lithuania's only nuclear facility, and organized marches for its closure. This group and its popular cause brought thousands more Lithuanians into the ranks of the politically active.

By 1988 Gorbachev was also encouraging the formation of "grass roots" citizen initiative groups to support his social and political programs. A group of three dozen Lithuanian scholars, however, including Landsbergis, Romualdas Ozolas and Bronius Genzialis, bypassed the Lithuanian Communist Party and declared an "initiative group" by themselves. Their purpose was to rewrite Soviet-Lithuanian history and propose changes in Lithuania's constitution to bring it in step with Gorbachev's reforms.

The group, which included a few influential party members, adopted the name Sajudis. While its initial program claimed to advance the cause of perestroika, Sajudis' ideas went well beyond the scope of what was being debated in party forums. Its founding statement spoke vaguely of creating a democratic society in Lithuania, but described the state as existing within the borders of the U.S.S.R.[2] While a formal call for independence at that time seemed imprudent, the speeches of Sajudis leaders hardly masked their ultimate goal. For example Ozolas, a well-known Vilnius intellectual and journalist, opened the group's first congress by saying, "Forward to independence, the road is infinite." Landsbergis, meanwhile, spoke of a "new dawn" and invoked ancient and modern Lithuanian heros as he prodded those assembled to preserve the future of "our land and our children."[3]

First Secretary Songaila immediately attacked the group as "antisocialist," ensuring its isolation from officially sanctioned reform groups. But Sajudis went on to sponsor several peaceful mass demonstrations in the summer of 1988, drawing tens of thousands to protest the Ribbentrop-Molotov pact. A September demonstration protesting the pact's secret protocols

[2] *Sovetskaia Litva*, Oct. 26, 1988, pp. 2–3; as quoted in *Daily Report: Soviet Union*, FBIS-SOV-88–239, pp. 52–62.

[3] *Komsomolskaia Pravda* (Vilnius), Oct. 12, 1988, pp. 12. A translation of this appears in *Daily Report: Soviet Union*, FBIS-SOV-88–214, Nov. 4, 1988, pp. 44–50.

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was broken up by special police forces. Some demonstrators were injured and more than two dozen arrested. The public outcry and protests that followed the police action led to the removal of Songaila. In late October he was replaced by Algirdas Brazauskas, formerly a party secretary for industrial affairs.

Sajudis elected Landsbergis as its president and set out to make itself the Communist Party's chief political rival in Lithuania. While Sajudis and the local Communist Party vied for the attention of Lithuanian reformers, Russian leaders within the party attempted to mobilize those Russian-speaking non-Lithuanians alienated from both streams of reform, and by November 1988 they had formed Edinstvo (Unity). This group came to represent a "pro-Moscow" position against the increasingly strident Lithuanian stand of both the local Communist Party and Sajudis.

Although Brazauskas enjoyed Gorbachev's confidence during this period, real differences were already driving a wedge between the communist parties in Moscow and Vilnius. While preaching the rights of nationalities, Gorbachev still envisioned the continuation of an "international" order where national interests were subordinate to those of the union. Brazauskas and Sajudis leaders, on the other hand, understood that the party could preserve no measure of political legitimacy in Lithuania without forcefully advocating autonomy for the republic. For them a "reconstructed" Lithuania was one in which Lithuanians were the most privileged of the republic's nationalities, without denying the rights of other groups.

Pushed by the growing strength of Sajudis, Brazauskas endorsed Lithuanian as the official language of the state. He also conceded that Lithuania's "bourgeois" 1918 declaration of independence was actually a "progressive" event in the republic's history, and sponsored legislation permitting the display of pre-Soviet flags and emblems. For the first time in decades, on February 16, 1989, the Lithuanian government permitted public celebrations on independence day.

One of the founders of Sajudis, Bronius Genzialis, then called on Lithuanians to reject their "colonial" status.[4] Genzialis' speech set the stage for Sajudis to push for legislation allowing for immediate political autonomy; suddenly indepen-

[4] *Vozrozhdenie*, no. 9, March 1989, p. 1.

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dence was no longer a distant goal. That speech, the law establishing Lithuanian as the republic's official language and the reconsecration of Vilnius' cathedral on February 10 helped to transform the psyche of the republic. Streets had their former names restored; pre-1940 texts were reprinted and redistributed; the Catholic Church resumed the role long denied it in public life. The private and public lives of Lithuanians were once again beginning to merge.

The largely symbolic acts of 1988 had resurrected the idea of Lithuanian nationhood. By 1989 Lithuanians began to demand political concessions extending well beyond the common Baltic agenda of economic autonomy. Sajudis was now determined to regain Lithuania's political sovereignty. A new constitution was drafted and passed by the Lithuanian Supreme Soviet in February; it stated boldly that sovereignty rested with the people of the republic. Lithuanians now took for themselves the right to organize their own political system, and gradually did so throughout the year.[5] By May Lithuania's Supreme Soviet declared the state a sovereign republic, and proceeded to pass a law defining Lithuanian citizenship.[6]

Gorbachev, unsure of how to control the fractious Baltic republics short of direct confrontation, which he wished to avoid, sent special "Baltic Commissions" to the region on several occasions to chastise local leaders. The spring 1989 elections to the new Congress of People's Deputies, however, underscored Lithuania's commitment to sovereignty. Sajudis captured 36 of the republic's 42 seats. Later, in May, the first of a series of republic-wide opinion polls showed Sajudis with an approval rating of 68 percent, compared to the Communist Party's 22 percent.[7]

Against this background Brazauskas battled back to reestablish some credibility for the local Communist Party. He proposed in June that the local party separate from the Communist Party of the Soviet Union (CPSU). This move made him immensely popular in the republic. His proposal gained further support by the fall, after the first session of the Congress of People's Deputies convened, and the Central Committee

[5] *Komsomolskaia Pravda* (Vilnius), Feb. 28, 1989, pp. 1–4. A translation of this appears in *Daily Report: Soviet Union*, FBIS-SOV-89–049, March 15, 1989, pp. 62–81.

[6] This decree and all other documents from 1989 are found in *Lietuva, Litva, Lithuania* (Vilnius), 1989, a volume prepared by the Lithuanian U.S.S.R. Deputies group for distribution at the second session of the Congress of People's Deputies.

[7] *Tsentr Issledovaniia obshchestvennogo mneniia, ANLI, Kommunisticheskaia Partiia Litvy: 1989*, (Vilnius), 1990.

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plenum on nationality affairs ended, without concrete proposals for granting political autonomy to union republics.

While Gorbachev was willing to allow the three Baltic republics greater control over their economies, the U.S.S.R.'s Supreme Soviet and Congress of People's Deputies overrode Lithuania's 1989 laws on sovereignty, citizenship and military conscription. Lithuania then asserted that its own constitutional changes superseded those laws of the U.S.S.R. The long lead time before most of these provisions could be implemented, however, meant a direct confrontation with Moscow could still be averted.

The political fate of all involved in Lithuania seemed to ride on support for the republic's autonomy. The popularity of Gorbachev and the party continued to decline; from January to November of 1989 nearly 9,000 party members in Lithuania turned in their cards. The position of the local Communist Party was further undermined by Lithuania's unilateral decision to allow competing political parties and candidates to run in the 1990 elections to its Supreme Soviet. Sajudis responded to a dip in its own popularity by giving the Supreme Soviet of Lithuania three months to decide on a precise timetable for independence. Brazauskas, meanwhile, cemented his stature within the republic when, on December 20, after nearly six months of pressure by Moscow to back down, he led more than two-thirds of Lithuania's Communist Party Congress in voting to splinter from the Communist Party of the Soviet Union. Although a small group of Moscow's supporters remained affiliated with the trunk party, the decision to form a separate Communist Party of Lithuania (CPL) was enormously popular in the republic.

Brazauskas was immediately summoned to Moscow following the split in the party. After a Central Committee plenum failed to close the growing estrangement between Moscow and Vilnius, however, Gorbachev decided to "barnstorm" the republic in a personal effort to persuade Lithuanians to opt for loyalty to the union.

III

After his tour of the republic in January, senior Sajudis leaders felt Gorbachev had finally come to recognize the emotional pull and political will of Lithuanian nationalism, but that he still failed to grasp their profound commitment to independence.

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The sentiment was best expressed by Vidmante Jasukaityte, a writer and antidraft activist who argued with Gorbachev at a street meeting in Vilnius—broadcast nationwide on Soviet television. For all his innovation and daring as a political leader, she complained, Gorbachev could not empathize with the plight of an occupied people or appreciate the "spiritual energy" that united Lithuanians in their struggle.

I visited Lithuania immediately after Gorbachev and conducted interviews with several Sajudis leaders.[8] The leadership had not at that time decided on a precise timetable for independence. All were convinced, however, that Lithuanian aspirations for full political autonomy would not be met by Gorbachev and could not be satisfied within the confines of the U.S.S.R. While they were aware of how slow and complex any movement toward independence would be, the pursuit of the goal united them. All other questions were negotiable, particularly if the compromise would leave Lithuania with favorably adjusted borders and a potentially self-sufficient economy.

Deputy Prime Minister Ozolas, then editor of the Sajudis publication *Atgimimas*, was willing to accept half-measures en route to independence. While ultimately supporting a separate state, he believed a confederative arrangement allowing the garrisoning of Soviet troops and free transit through the republic was acceptable as an interim stage. Ozolas did not trust Gorbachev to deal fairly with the Lithuanians, however, and accused him of trying to play different nationalities against one another in an effort to discredit independence movements in the Baltics and the Caucasus as well. Bronislavas Kuzmiskas, a former law professor and now a deputy chairman of Lithuania's Supreme Soviet, went further, accusing Moscow of inciting Polish and Russian residents of the republic.

Landsbergis was more preoccupied with what he perceived as the need for Lithuanians to achieve independence in short order. A generation of young Lithuanians have never lived in an independent state, and Landsbergis feared that if the idea of independence was not revitalized the nation would have no future. Landsbergis sees himself a man able to accomplish that task; he personifies the "spiritual energy" of Lithuania's independence movement. Although his enormous personal strength does not translate well into American political cul-

[8] All the interviews quoted here were conducted in Vilnius between January 26 and February 1, 1990.

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ture, his leadership qualities are well understood in Lithuania. But even there, he makes a more plausible national hero than political doyen.

A professional musician and third-generation intellectual, one of the few in the republic, Landsbergis has never been a member of the Communist Party. Although both his father and grandfather, artist/architect and playwright respectively, were themselves well-known Lithuanian nationalists, Landsbergis was never a public figure until the formation of Sajudis. There is no doubt, however, that he himself is a staunch nationalist; many of Moscow's early attacks against Sajudis were directed at Landsbergis personally. He is strongly identified with the idea of Lithuanian nationalism, and may have been chosen to lead the movement for this reason alone.

Landsbergis is a romantic, but realistic nonetheless. He was confident that Sajudis would handily win the February 1990 elections to the Supreme Soviet, and was equally convinced that Moscow could block any subsequent efforts to reassert Lithuanian independence. Landsbergis feared Gorbachev was simply introducing the trappings of democracy to provide a new platform from which Moscow could preserve the Soviet state and continue the domination of Russians over non-Russians. The Red Army had occupied Baku in January and, as he prepared to leave his home to go to Riga to mediate a settlement between Azerbaijani and Armenian national fronts, Landsbergis was deeply disturbed. He worried that the principle of using force to preserve domestic order would also be applied to Lithuania.

Despite his doubts about its possible outcome, Landsbergis was convinced that independence must be pursued. Lithuanians would have to earn their own freedom, he argued, and he understood that the West would put the concerns of geopolitics above those of ideology, predicting "We will prove inconvenient for America." For Landsbergis freedom is not open to compromise: a subjugated people are not free. And while freedom is a goal to which all should aspire, the fate of any individual Lithuanian is subordinate to the survival of the nation.

He is a modest man who does not seek responsibility, but who will accept it. In this way, Landsbergis understands himself to be an accidental hero. He takes inspiration from the character of Dr. Stockmann in Ibsen's *Enemy of the People*, a man willing to sacrifice his own family's financial security in his

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effort to close typhoid-infected public baths. Landsbergis is fond of quoting Stockmann's closing lines:

> This is what I have discovered, you see: the strongest man in the world is he who stands most alone.

IV

Landsbergis was right about the February 1990 elections to the Supreme Soviet; Sajudis did win handily. It had campaigned on a platform calling openly for the immediate establishment of an independent republic, a state ruled by law, and one that protected personal freedom and the right to ownership of property. When the voting was completed, Sajudis controlled over 75 percent of the seats in the new legislature, winning almost all of the contests in the major centers, Vilnius and Kaunas.

After an uphill battle Lithuania's breakaway Communist Party took just under a third of the seats. Two weeks before the election Brazauskas helped pass legislation declaring illegal the Soviet incorporation of Lithuania; with less than a week until the vote he too was calling for an independent state, but through graduated steps. It is difficult to know precisely what occasioned Brazauskas' change of heart. Many Sajudis leaders view Brazauskas cynically, and explain all his shifts of position merely as political posturing to preserve some authority for the CPL and, indirectly, Moscow. Brazauskas' actions did unquestionably increase his popularity; both he and the party's second secretary, Vladimir Berezov, were easy victors along with several other party leaders. Most of their party's victories came in Klaipeda, and in rural districts where collective-farm chairmen and local officials dominated the voting lists.

The CPSU was roundly defeated, taking less than five percent of the available seats. None of the party's principal leaders were elected, including the first and second secretaries, Vladislav Shved and Myukolas Burokevicius. No district was safe enough to elect these two: Shved was a founder of the pro-Moscow Edinstvo and Burokevicius is a historian who has chronicled the "accomplishments" of Soviet rule in Lithuania.

After the elections, Gorbachev finally recognized that Lithuania's secession was imminent. On March 8, he again hurriedly summoned Brazauskas to Moscow. Lithuanians were presented with an ultimatum. They could have independence only if the U.S.S.R. were fully compensated for all its

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postwar investments in the republic, if Klaipeda were ceded to the U.S.S.R., and if Lithuania were restored to its October 1939 borders. When Lithuanians did in fact declare independence two days later, Gorbachev immediately abandoned even these stiff conditions for exit, making secession conditional on a new Soviet law.

Lithuania's newly elected Supreme Soviet convened on March 10, 1990, the soonest possible date, and within 24 hours it had elected a president, changed the name of the nation and declared an independent republic. A rush of provisional legislation followed, including a "Provisional Fundamental Law" with 132 articles, most of which fused features of the proposed new constitution with the program of Sajudis.[9]

The timing of the assembly's declaration underscored its basic distrust of Gorbachev. A few weeks earlier Gorbachev had called for the creation of a new office in Moscow, that of the Soviet president, a position with extraordinary powers relative to his old post as leader of the Communist Party. One of his projected new powers was the ability to declare a state of emergency in any republic, a provision later limited somewhat in the final legislation.

Lithuania timed its exit to precede Gorbachev's election as the new president. More important, it withdrew from the union before Gorbachev had even announced the new law on secession. In fact, on the date the republic declared its independence there was no law regarding secession. Law or no law, however, Lithuanians still claimed exemption based on the illegal way in which they were incorporated by the Soviet Union.

The declaration's timing also reflected symbolic considerations. To have the first quasi-democratically elected legislature immediately lay claim to Lithuanian sovereignty emphasized the republic's complete rejection of Soviet rule. Sajudis leaders believed they could have pushed a vote for secession through Lithuania's old Supreme Soviet, but that would have left Brazauskas to preside over the new state. Sajudis wanted to turn the act of declaring independence into a symbolic gesture, and understood the declaration in that way. It believed room would still be left for discussion with Moscow, as there had been with earlier legislation that contradicted Soviet law. Gorbachev's message on the terms of secession, sent earlier

[9] *Lietuvos Ritas*, March 15, 1990, pp. 3–6.

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through Brazauskas, had itself raised the expectation of negotiation.

As with its earlier laws on citizenship and sovereignty, Lithuanian leaders were seeking recognition of the special relationship between the Baltic states and the U.S.S.R. During his January visit to Lithuania, Gorbachev had strongly hinted that this kind of recognition would be forthcoming. Lithuanians hoped that the occasion of a formal declaration of independence would finally prompt concrete proposals from Moscow. Even though asserting independence, the republic still promised to meet its economic obligations to the union. It called only for new national identity cards and urged Lithuanians to avoid Soviet military service when Gorbachev's position became fixed: the illegality of Lithuania's actions precluded formal negotiations, or even informal talks, between the two sides.

Lithuanians understood that there must be a transitional stage before real independence could be achieved. The interdependence of the Lithuanian and Soviet economies had to be addressed, along with Soviet security interests. The questionable international status of Lithuania's current borders, which were formally protested by Byelorussia, also needed to be reviewed. But these questions have become nearly irrelevant to a Lithuanian leadership not recognized as governing an independent state.

Landsbergis sees his greatest task not as governing Lithuanians, but as sustaining their support for independence. For now he seems to be succeeding. An April poll indicated that 91 percent of the republic favored an independent Lithuania, including 63 percent of the non-Lithuanian population. Of those supporting independence, however, 31 percent believed the decision should not have been taken so quickly.[10] Landsbergis' own popularity has also increased dramatically, even among Russians and Poles in the republic. But more people still consider Brazauskas to be Lithuania's best potential leader.[11]

Gorbachev had trouble deciding how to force Moscow's will on Lithuanians. Before settling on an economic embargo, he appears to have considered a number of strategies: invasion,

[10] *Ibid.*, April 5, 1990, p. 1.

[11] *Ibid.*; respondents could list any number of leaders in their response. Prunskiene's leadership was endorsed by 44 percent of the respondents and Ozolas' by 20 percent.

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seizing power in the name of the CPSU and the assertion of presidential rule. An embargo was what Sajudis expected, and perhaps the choice they most feared. Instead of breaking Lithuanian resolve, however, Gorbachev's handling of the crisis appears to have contributed to the republic's growing sense of unity. Moscow's repeated demonstrations of military force in the weeks following the declaration convinced Lithuanians that they did, in fact, live in an occupied country. The seizure of the party headquarters, the main printing press and other public buildings, all in the name of the CPSU, further alienated the republic. Moscow's sponsoring of anti-independence rallies also discredited the regime and angered both Russian and Lithuanian workers, as pro-Moscow Edinstvo members were given time off with pay in order to demonstrate.[12]

Moscow's harsh actions have pushed some equivocal Lithuanian politicians to embrace the new government. Even Brazauskas, for example, while privately critical of Sajudis' strategy for independence, began to work more actively in his post with the new government as deputy prime minister for industrial production after Soviet troops seized his office in the Communist Party headquarters. Since then he has been trying to help the republic absorb the economic shocks of Moscow's embargo.

The April embargo on energy introduced new stresses into the Landsbergis government. Layoffs of workers generated pressure toward compromise with Moscow. But while some may see compromise as the only intelligent course, and limited political autonomy as preferable to none at all, most Lithuanians right now seem to regard even defeat as advancing their march toward eventual independence and preferable to life in a half-free state.

The West may have come to trust Gorbachev and believes he should be given the breathing space necessary for his reforms to succeed. But Lithuanians seem to distrust all Soviet reformers and believe breaking Moscow's hold on power not only benefits themselves but all Soviet peoples.

V

Gorbachev clearly recognizes the threat he faces in the Baltics. Since Lithuania's declaration his position has been

[12] *Vremiia*, April 26, 1990.

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constant: any republic can leave as long as it abides by the provisions of the new Soviet law on secession. This principle has now been applied to Latvia and Estonia as well.

This is no mere legal nicety. The new law requires that two-thirds of a republic vote for secession in a popular referendum in which no campaigning would be allowed. Separate referendums may be held in autonomous regions and minority enclaves. If the referendum is defeated, no new request for secession could be made for 10 years. If the referendum succeeds, a five-year period would follow for negotiating separate secession agreements with each Soviet republic. During this interim Soviet law would remain in force and a call by 10 percent of the population would force a new referendum. At the end of this period the Congress of People's Deputies must ratify the republic's secession. Additionally, the seceding republic must also pay for the resettlement of all those who wish to remain within the U.S.S.R.[13] This law, in effect, is a decision by Gorbachev to preserve the current boundaries of the Soviet Union well into the future.

Gorbachev has thus been unwilling to talk with Lithuania as long as the republic continues to place itself above Soviet law. Unlike Latvia and Estonia, Lithuania could probably secede successfully even given the new law; only 20 percent of the republic's residents are non-Lithuanians. Accepting the law's validity, however, not only defers and alters Lithuania's plans for secession but also sharply curtails the hopes for independence of others—Estonians, Latvians, Moldavians and western Ukrainians, all of whom were forcibly incorporated after the same 1939 pact between Hitler and Stalin. The law makes secession especially difficult for these republics. Estonians constitute 61 percent of the population of their republic, Latvians 52 percent of theirs, Moldavians 64 percent, and western Ukrainians less than half.

Independence for Latvia and Estonia is of critical concern to Lithuania, which sees the survivability of its own state as predicated on the economic vitality of the reconstituted Baltic Council. Nationalists in other republics have openly sided with Lithuania, aware that their future will be shaped by how the current confrontation is resolved. The Estonian parliament has formally recognized the new Lithuanian republic and promised it aid. The Estonians, however, have chosen a

[13] *Izvestiia*, April 6, 1990, pp. 1–2.

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different path to independence, declaring themselves an occupied nation no longer bound by Soviet law, rather than an independent state. Estonian support for Moscow is diminishing. Forty-nine percent in a recent poll named either Russia or the U.S.S.R. as their greatest enemy.

Support for Moscow is rapidly eroding in Latvia as well. Latvia's new Supreme Soviet voted for independence on May 4, 1990, but is trying to break with Moscow in stages. Tensions between the pro-independence National Front and the pro-union Inter-front have increased sharply. Pro-independence forces took control of Riga's city council; pro-union forces provoked a split within Latvia's own Communist Party. Battles have escalated between the Riga government and the local Communist Party over control of the media, and city and party property. Now that the stakes have become the control of the republic itself, tensions have escalated even higher. Violent public confrontations have occurred with anti-independence mobs storming parliament buildings in Riga, as well as Tallinn.

The political situation in the western Ukraine has also deteriorated. Demonstrations have broken out in support of Lithuanian independence, and pro-nationalist city and provincial Soviets have promised Lithuanians assistance. Western Ukrainians have called for the establishment of an independent Galician state, prompting threats of unspecified sanctions from the Ukrainian government and Communist Party if "antisocialist" activities do not cease.

Moldavian nationalists have escalated their demands too. By late March rallies and demonstrations that used to take place only on Sundays now crippled work on Mondays. Moldavia's Supreme Soviet has almost equal numbers of separatist and pro-Moscow deputies. The division increasingly diminishes the assembly's capacity for decision-making. Nationalists are also fighting for control of the media and have accused Moscow's correspondents of a "lack of objectivity," banning them from the republic's legislature.

The Lithuanian crisis has increased political instability within Russia itself. In addition to the well-publicized demonstrations in support of Lithuania's position in Moscow and Leningrad, backing has also come from national fronts in smaller cities like Rostov-on-the-Don. Generally, Russian attitudes toward Lithuanian independence appear to be more complex and varied than official Soviet reports suggest.

Gorbachev apparently assumed that by making a negative

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example of Lithuania he could preempt other nationalist protest. This may be yet another of his miscalculations regarding nationality relations. Support for nationalist and separatist movements has been growing rapidly for the past three years throughout the U.S.S.R., and events in Lithuania appear only to have increased their backing. At the same time, Gorbachev has yet to create a policy precedent that can easily be applied to other rebellious populations. The economic embargo of Lithuania has hurt not only that republic but neighboring Soviet regions as well; such a tactic used repeatedly could have serious economic consequences for the entire Soviet Union.

VI

West German Chancellor Helmut Kohl and French President François Mitterrand offered a compromise formula in April allowing Lithuanians to reassert their independence after a cooling-off period of two years. In mid-May Prime Minister Prunskiene succeeded in meeting with Gorbachev to try starting a negotiation on these terms.

A basic tension still remains, however, between Moscow's will to enforce most of the provisions of its secession law and Lithuania's desire to protect its declaration of independence. Even a two-year freeze on Lithuanian independence probably will not ease this fundamental difference between Gorbachev's goals and those of nationalists in the Baltics, the Ukraine, Moldavia and the Caucasus.

Gorbachev's actions in Lithuania have been shaped by his desire to delay a resolution to the nationalities problem until the Soviet economy can be successfully reformed. While Western leaders seem to have accepted this premise, many non-Russian leaders in the Soviet Union have not. For them the root of the U.S.S.R.'s problems lies in its flawed political foundations, which assert multinationalism while legitimizing the domination of Russian interests. They oppose a single all-union economy and advocate the development of independent, economically self-sufficient republics.

Gorbachev's strategy is just the opposite. He is betting that economic vitality will ensure political integrity, that he can forge new bases of internal political cohesion once the process of economic decay in the U.S.S.R. has been arrested. But here, too, Gorbachev's energies may be misplaced. Numerous examples in modern central European history argue persuasively for the pervasiveness of nationalism, even when it runs

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counter to the economic welfare of its proponents. Furthermore, Gorbachev's actions in Lithuania may make economic recovery for the U.S.S.R. more rather than less problematic. The economic productivity of the Baltic republics, one of the most advanced and technologically sophisticated regions of the Soviet Union, could be seriously upset in the future. Policies of economic coercion cut two ways; nations once restrained through economic embargo can alternately proceed to withhold economic cooperation.

How sound Gorbachev's policies in Lithuania really are will only become clearer with time. His actions may seem justified if he can use perestroika to turn the Soviet empire into a democratic multinational state. It is more likely, however, that Gorbachev's reforms will not reflect the agenda of nationalists in the Baltics, other Western borderlands or the Caucasus.

Regardless of the outcome in Lithuania, the Bush administration is wisely following the course of nonintervention in Soviet domestic affairs. Moralists may argue that the United States must now follow through on its fifty years of support for the precept of Lithuanian independence. The mistake of the United States, however, may well have been its long support for an abstraction that it had no real intention of defending. Nonintervention means the United States must not be a direct party to either the breakup or the artificial resuscitation of the Soviet state. As separatist movements and nationalist protests continue to build in the U.S.S.R., Gorbachev may repeatedly turn to the West to help legitimize policies designed to bind a crumbling empire. Western aid and encouragement may reduce some of the domestic pressures on Gorbachev, but the West must not become perestroika's guarantor. The only way for perestroika to succeed is with the Soviet peoples' own support.

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Jeffrey Sachs
David Lipton

POLAND'S ECONOMIC REFORM

The leaders of Eastern Europe's democratic revolution describe their goal as a "Return to Europe." They seek to overcome the Cold War divisions of Europe as rapidly as possible by adopting the institutions of parliamentary democracy and a market economy and by joining the economic and political organizations of Western Europe. The new democratic governments of Poland, Hungary and Czechoslovakia have explicitly rejected the idea of experimenting with a "third way" between capitalism and state socialism, aiming instead to replicate the economic institutions of Western Europe. The basic economic questions facing East European governments are therefore not mainly about the desired ends of reform, but rather about the strategy for making the transition from state socialism to a market economy.

The transition is fraught with danger. The East European economies are not starting from a stable situation but from a deep and prolonged economic crisis. Moreover there are no comparable success stories to serve as clear road maps for reform. Previous reforms conducted under communist rule have backfired. Attempts to decentralize planned economies have tended to worsen financial instability, a pattern now evident in the Soviet Union and one that also occurred in the 1980s in Hungary, Poland and Yugoslavia.

Of course, the new democratic governments in the region have profound advantages over previous regimes in attempting the necessary reforms. Not only do the new governments command popular trust and support, but they also are not hampered by the ideological baggage and vested interests that weighed down the reform attempts of earlier years. Nonetheless the political situation in Eastern Europe remains fragile. If the reform programs of the new democratic governments fail,

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the meager living conditions in Eastern Europe will fall further, which could in turn provoke serious social conflict and even a breakdown of the new democratic institutions. But there are also profound possibilities for rapid improvements in living standards, if the East European countries can successfully make the transition from central planning to the market economy.

While there is enormous speculation on the correct strategy for reform, only Poland has so far launched a program of comprehensive reform under noncommunist rule.[1] Poland's pioneering effort, which began on January 1, 1990, is the culmination of a decade in which Poland's Solidarity movement led the region in organized opposition to communist rule, and then in forming a noncommunist government. When Solidarity's Tadeusz Mazowiecki became prime minister in September 1989, his new government was facing a financial crisis among the worst in the world—with inflation of about 40 percent per month and widespread shortages of basic goods. The Polish public was thoroughly demoralized by a long-term crisis of economic and ecological decline that had lasted in acute form since the late 1970s.

Under the leadership of Deputy Prime Minister Leszek Balcerowicz, the government's new economic team fashioned a program of comprehensive and rapid change, aimed at ending hyperinflation and shortages and at creating a market economy as rapidly as possible. The program has been described as an attempt to "leap to a market economy." More precisely, it aims to create during the course of 1990 the legal, economic, financial and administrative conditions needed for a market economy. Nonetheless many key steps, such as tax reform and the privatization of a large portion of state industry, will necessarily take longer. And the actual restructuring of economic activity, involving the rise of small and medium-size firms in the private sector and a shift of production from heavy industry to light industry, services and housing construction, will occur only in the course of the coming decade.

There is much to be learned from Poland's efforts, even at this early stage. Not surprisingly, economic reformers and politicians in the rest of Eastern Europe and in the Soviet

[1] A more technical discussion of Poland's economic crisis and reform strategy can be found in David Lipton and Jeffrey Sachs, "Creating a Market Economy in Eastern Europe: The Case of Poland," *Brookings Papers on Economic Activity*, 1990:1.

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Union are studying the Polish experience intently. From our vantage point as economic advisers to Solidarity, we will examine the logic of the Polish economic program, the results to date, the anticipated difficulties in the coming months and years and the lessons for other socialist economies. We will also describe the kinds of assistance from Western governments that would be most effective in supporting Poland's transition to a market economy.

II

The starting point for Poland's leap to the market economy is the country's Stalinist economic legacy. Most important, more than 90 percent of industry is state owned, with a strong bias toward heavy industry—long held by communist ideology to be the real source of growth in the economy—and a neglect of consumer goods production. Similarly, the service sector is seriously underrepresented. Only 35 percent of the Polish work force is in services, compared with an average of more than 50 percent for most of Western Europe. The emphasis on industrial growth has also been supported by a deliberate distortion of the pricing structure, aimed at keeping the prices for industrial inputs low, especially the price of energy. The "energy intensity of production" (energy use per unit of GNP) is far higher in Eastern Europe than in Western Europe, and this is one of the sources of environmental degradation in the region.

Production, moreover, was organized by state planners to facilitate central control rather than to instill any spirit of competition. Employment tends to be in very large enterprises, to the almost complete exclusion of small and medium-size firms. In all of Poland, there are only 982 enterprises in the state sector with 100 or fewer employees. The average number of employees per state-owned enterprise (excluding cooperatives) is 1,132, and per individual plant is 378. By contrast, there was an average of 66 workers per plant in a 1986 survey of Western economies.

Competition was further reduced by the closing off of domestic markets from imports from the West. In Poland and elsewhere in Eastern Europe, imports have been controlled by strict bureaucratic allocation of foreign exchange and by explicit quotas. In Poland, until the mid-1980s, almost all imports had to be centrally approved, although this system of central control was partially liberalized in the last years of the

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communist regime. In most cases, importing was carried out through a state trading bureaucracy, which limited the contact of individual state enterprises with the outside world. Individual firms were therefore cut off from the transfer of technology that would usually accompany the import of industrial goods from more technically advanced economies.

Under strict central planning, the flow of physical resources to individual enterprises was set in the central plan. By the early 1980s the deficiencies of this system were so evident that the regime embarked upon a gradual decentralization of production, even as political repression under martial law intensified. Between 1982 and 1989, the regime cut back significantly on the role of central planners, allowing individual firms much greater freedom in the choice of inputs and outputs.

As part of the decentralization and as an attempt to mollify a bitter population, a small measure of worker self-management was introduced into the enterprises during the 1980s. In a sense, this can be thought of as the communist regime's preferred response to the public's growing demands for political representation: no free elections, but a modest degree of worker representation. Workers' councils were given some powers of supervision over plant operations and over management. While this control was illusory in many instances and was easily manipulated by the communist authorities, it was substantial in other cases.

There were two ironic effects of this limited devolution of power to the plant level and to the workers' councils. First, as decentralization progressed, workers gained enough influence to push for higher and higher wages. This contributed to an explosion of wages during 1987–89, which rose far more quickly than official prices, and which in turn contributed to shortages, inflation and a rising budget deficit in the last years of the communist regime. The second effect was to instill in parts of the Solidarity movement a commitment to worker-managed enterprises, which is now complicating the government's desire to convert firms into joint-stock companies organized along Western lines.

The specific patterns of the Polish crisis should also be noted. During the 1970s, the regime of Edward Gierek tried to overcome the inherent shortcomings of the economy and to regain the support of a sullen population by the device of heavy foreign borrowing from the West. By the end of 1979, the economy had taken on $25 billion in foreign debt (since

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grown to over $40 billion as interest arrears have accumulated). The loans had been singularly poorly used, with almost no increase in export potential to show for the debt. At the end of the 1970s Poland was plunged into a deep foreign-debt crisis when the inflow of money stopped and when payments started to fall due. Living standards collapsed in the period 1979–82, prompting the rise of Solidarity and its brutal repression under martial law. According to the official data, the 1978 levels of per capita income were finally restored in 1988, but in fact is is likely that 1978 living standards have not yet been restored even today.

The regime responded to the deepening crisis by partially eliminating the central planning apparatus and giving more freedom to enterprises. The result was not the birth of a market economy, but rather an intensification of financial instability. There was still no real competition. Production remained highly monopolized, and international trade—which might have allowed for competition from abroad—remained centrally regulated. Some private firms were legalized, but they were hobbled by administrative and tax laws and unable to obtain adequate supplies from the state sector. Also, the state enterprises had the wrong incentives. Workers were able to push for higher wages, either because they actually controlled management or because the managers were given little incentive to resist workers' demands. Managers borrowed funds whenever they could; if an enterprise later got into trouble, the reasoning went, it would surely be bailed out. The regime pumped money into the economy at highly inflationary rates, partly to satisfy the enterprises' voracious appetite for investment funds, partly to bail out money-losing firms, and partly to subsidize consumer goods in a vain hope of calming a bitter population.

In effect the central plan was replaced not by markets but by an unending process of ad hoc negotiations between firms and the government. When an enterprise experienced difficulty, it would go to the finance ministry or the central bank for some combination of cheap credits, tax exemptions, subsidies, central allocations of a scarce good. Prices, credits, foreign exchange allocations and subsidies were all subject to intensive bargaining between enterprises and the government and among ministries. Rules changed rapidly—to the extent that they existed at all—and the economic environment became increasingly unpredictable.

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By this route Poland had fallen into a remarkable combination of explosive inflation and massive shortages by the time Solidarity inherited the government in September 1989. Huge excess demand in the economy was being stoked by large wage increases, swollen budget deficits and cheap credits from the central bank; since official prices were continually held below market-clearing levels, shortages developed, and goods were available to consumers only after long waits in queues, by the paying of bribes or through the black market.

The inflation at the end of 1989 was further intensified by one of Solidarity's own actions. In the course of the historic roundtable negotiations in early 1989 that legalized Solidarity, and which set up the elections that soon brought Solidarity to power, the trade union movement pressed the government to introduce wage indexation as a defense against inflation. Indexation became a key transmission belt for inflation and quickly pushed monthly inflation to 54 percent in October 1989, thus breaching the 50 percent per month threshold that economists use to define hyperinflation.

Looking back at the 1980s, the failure of the piecemeal approach to reform attempted by Poland's communist regime (along with similar failures in Hungary, Yugoslavia and the Soviet Union under perestroika) seems clear. Ultimately the communist parties of Eastern Europe (and the Soviet Union to date) were unwilling and unable to carry out truly radical reforms to create a competitive, private market economy. Such a transformation was barred by ideology, by party elites intent on preserving power, by the distrust of the public and by the lack of foreign financial support from Western governments, which rightly doubted the commitment of the East European governments to the fundamental and necessary changes.

III

When the new Solidarity government began to define its strategy, its policymakers knew well the failure of piecemeal change. They recognized that thoroughgoing measures were needed. But at the same time, certain profound barriers stood in the way of comprehensive change. The trick was to find one's way out of the maze of dead ends and false turns left behind by the old system.

Consider, for example, the urgent problem of macroeconomic stabilization. Halting hyperinflation almost always requires an elimination of a large budget deficit and a tightening

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of monetary conditions by the central bank. Poland's situation presented no exception. At the same time, however, a monetary and fiscal squeeze almost always prompts some bankruptcies, especially of inefficient firms that are suddenly cut off from artificial subsidies and cheap credits. In a socialist economy like Poland's at the end of 1989, the price system is so distorted that there is simply no way to tell which firms should go bankrupt and which should be allowed to stay in operation. Without a realistic set of prices for industrial goods, it is impossible to sustain a tight macroeconomic policy without the risk of excessively high social costs.

This in turn suggests that macroeconomic stabilization measures must be carried out in conjunction with an end of price controls, so that prices can respond to supply and demand and thereby send accurate signals to the economy. But here the next conundrum arises. With the economy as monopolized as it is in Poland (and the rest of Eastern Europe), policymakers were rightly concerned that price deregulation would result in a new distortion: monopolistic pricing. Nor was the bureaucracy equipped to overcome that problem by administrative controls. The whole history of price setting by the bureaucracy in the 1980s had proven the impossibility of determining a rational set of prices by bureaucratic methods. Only shortages had resulted.

In turn, a demonopolization designed to precede macroeconomic adjustment presented another dead end. Not only was the macroeconomic situation spinning out of control, but demonopolization, like price liberalization, cannot really be carried out by bureaucratic fiat. The kinds of industrial restructuring that are necessary will only be learned in the context of actual market performance. Winners and losers cannot be selected a priori from among Poland's 7,800 industrial enterprises in the state sector. And, as is now evident, the type of production that individual enterprises will undertake in a market environment may be vastly different from that which they have traditionally conducted under a central plan.

A further apparent problem was that real market competition requires a real private sector. While liberalization of private sector activity would allow a new private sector to arise in the course of time, this natural process would be too slow to ensure a proper functioning of the economy in the meantime. Part of the process of building the private sector must therefore also include the privatization of state enterprises, mainly

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by selling firms to the public. But at what price? A reliable valuation of firms requires a reliable price structure for the inputs and outputs of the enterprises. This in turn requires market competition, which in turn requires an active private sector. How then to cut the Gordian knot?

The new Polish economic team chose several ways out of this dilemma. First and most important, they recognized that international trade would be the most effective means to instill competition in the economy. By allowing foreign firms to import freely into Poland (and Polish firms to export freely to the West), domestic state enterprises would immediately be subjected to intense competition from the world market. At least for goods that can be potentially traded (which includes most industrial and agricultural commodities), a decisive opening of Poland to world markets would immediately create domestic competition as well as a realistic structure of prices that would mimic that of Western Europe.

To implement a regime of free trade quickly requires a series of financial, economic and diplomatic steps. Financially the exchange rate must be made convertible on the trade account, meaning that domestic enterprises can freely buy foreign exchange, without rationing, at a given official price, and that exporters receive the same price in domestic currency for each dollar earned abroad. The government set a unified rate of 9,500 złotys per dollar on January 1, 1990, as the stable convertible rate for all of Poland's international trade with the West—a devaluation from 6,500 złotys per dollar at the end of 1989. Next, all sorts of trade barriers, including import quotas and high tariffs, had to be eliminated or at least sharply reduced. Finally, trade treaties with the United States and the European Community were needed to ensure Poland open access to Western markets.

Another way to attack the dilemma was to proceed as rapidly as possible on liberalization in conjunction with macroeconomic stabilization. As an example, farmers were allowed to bring food directly to the market themselves, thereby bypassing the monopolized food-processing industry. In a matter of weeks, farmers' markets sprung up all over Poland, breaking the monopoly power of the state food distribution sector.[2] The

[2] Poland has a decisive advantage in this regard relative to other East European countries. Most of Poland's agriculture remained in private hands after World War II. The private agricultural sector was terribly squeezed by the state, but it was allowed to survive. It is these private farmers that undertook their own marketing in the opening weeks of 1990.

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free market prices for food are generally lower now than in the official stores, though higher than the official prices that prevailed before the end of food subsidies. Another set of policies aimed to move swiftly to break up monopolies in specific sectors, such as coal, publishing and retail shops, mainly by dividing large, multiplant enterprises into several independent units, and by eliminating industry-wide cartel-like associations.

It was recognized that small-scale privatization—in which a state enterprise sells off a shop, or a piece of machinery—would also help to get thousands of small-scale entrepreneurs in business in a short period of time. On the other hand, large-scale privatization of major enterprises was recognized as something that must follow, rather than precede, the initial stage of stabilization and liberalization.

In the end, therefore, Poland's strategy for a "leap to the market" was based on the following precepts:

—The budget deficit and easy credit policies had to be ended, as the basis for eliminating shortages and halting rampant inflation;

—Prices had to be decontrolled and subsidies eliminated, in order to establish a demand-and-supply-driven system of price determination;

—A regime of free trade with the West had to be established by creating a convertible currency at the outset of the program and by eliminating almost all restrictions on international trade, thus allowing Poland to "import" a realistic price structure;

—Restrictions on the private sector had to be done away with as soon as possible and specific sectors targeted for rapid demonopolization;

—Privatization should proceed as rapidly as possible, recognizing that it would be a long process, involving many or most of the 7,800 industrial enterprises in the state sector.

These measures were to be undertaken rapidly. Even before the Solidarity-led government took office in September 1989, key leaders in Solidarity—such as the current minister of labor, Jacek Kuroń—were pressing hard to use Solidarity's public support to introduce decisive changes in the economy as quickly as possible. Mazowiecki and Balcerowicz shared this point of view. The crisis was clearly getting out of hand, but it was felt that the government would enjoy a vital freedom of action made possible by high public trust and the shared sense

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of national emergency. The public expected strong measures and the government had the political opportunity to implement them. It was known that many measures would be socially painful, and that the painful steps should not be stretched out in an unending social agony. As former Bolivian Planning Minister Gonzalo Sanchez de Lozada, who ended his country's hyperinflation in 1986, was fond of explaining: "If you are going to chop off a cat's tail, do it in one strike, not bit by bit."

IV

On the first day of 1990 the official exchange rate was devalued sharply and the złoty was made a stable, convertible currency. As was hoped, the fixed exchange rate has provided an effective "nominal anchor," stabilizing the prices of traded goods in złoty terms. The creation of a convertible currency was accompanied by the liberalization of international trade and the decontrol of domestic prices. Simultaneously most remaining subsidies were cut back sharply or entirely in order to eliminate the budget deficit.

These measures led to a corrective inflation: consumer prices were 78 percent higher on average in January than in December, according to the official price index. But this inflation was a one-time burst, which was quickly dissipated. From the beginning of February until the end of the month, prices rose by less than five percent, and then by about the same rate in March. To ensure that the corrective inflation would not be incorporated into a fruitless wage-price spiral, the government adopted a tax-based wage policy, which meant that wage increases would be held considerably below the increases in prices at the start of the government's program.[3]

From an economic point of view, it was impossible to compensate workers fully for the price increases. In part, the rise in prices resulted from the end of budget subsidies, which in turn was necessary to end the high inflation. Granting higher wages would have simply undone many of the budgetary savings. In addition, the higher prices resulted from the end of price controls under a situation of widespread excess demand for goods. Prices rose as shortages were eliminated.

[3] A wage norm was established under which the wage bill of enterprises could rise by 30 percent of the monthly inflation in January and 20 percent thereafter. Enterprises granting wage increases above the norm were subjected to very high rates of tax.

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While households might seem to have been hurt by the lower real wages, the fall in actual living standards is greatly overstated by the official statistics. Households now pay more for goods that they buy, but they also pay less in the form of the hidden "inflation tax," which had been reducing their purchasing power by steadily eroding the value of their currency holdings. Additionally, since the higher prices resulted in part from the elimination of shortages, households are compensated for the price increases by shorter lines, greater availability of goods and an end to the higher-priced black market. Indeed households that had previously been shopping on the black market for particular commodities might not even notice any actual price increases, even though the official statistics report a large jump in prices.

To guarantee that the excessive issuance of money would be firmly stopped, a fundamental adjustment of financial policies was undertaken. Legislation was approved by the parliament prohibiting the National Bank of Poland from extending any long-term credits to the government. At the same time, the budget called for the deficit to be reduced from more than nine percent of gross domestic product in 1989 to around one percent of GDP in 1990. The improvement will come mainly from a sharp reduction of subsidies and the elimination of various tax exemptions. Provision in the budget has been made for new social safety net programs (especially unemployment insurance), other forms of social spending and a fund to assist in the restructuring of industry. At the same time, the national bank has tightened the extension of new credits to the rest of the economy. Interest rates have been set well above the rate of inflation and the lending operations of the major commercial banks have been closely supervised.

The situation was further complicated by Poland's external debt. The debt in convertible currencies stood at $40.3 billion at the end of 1989, of which $27.7 billion was owed to Western governments, $9.2 billion to commercial banks and $2.1 billion to other socialist countries. The annual $3.6-billion interest bill on this debt consumes about 50 percent of the earnings on Poland's merchandise exports to the West.

Western governments provided two forms of financial assistance to Poland as the stabilization program was being launched. First, Poland's foreign exchange reserves were bolstered by balance-of-payments support loans from the International Monetary Fund and the Bank for International

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Settlements. In addition a special $1-billion stabilization fund was created by the Group of Seven leading industrialized nations, comprising a combination of grants, including $200 million from the United States, and loans from others of the G-7 governments.

Second, virtually all of the principal and interest falling due on Poland's debt to official creditors through March 1991 was rescheduled by Western governments. Poland also unilaterally limited interest payments to its commercial bank creditors, pending completion of negotiations for a deep reduction of its commercial bank debt burden to be arranged under the auspices of the U.S. Treasury's "Brady Plan." The Western governments, the IMF and World Bank have attested to Poland's need for commercial bank debt relief, and to Poland's inability to service its existing debt on a normal market basis.

These two forms of assistance provided a crucial underpinning for the Polish government's efforts to create a convertible currency, which was at the heart of the stabilization effort. The availability of balance-of-payments support made it possible for the financial authorities to contemplate the introduction of a stable, convertible currency, providing much-needed backing for the złoty. Similarly the rescheduling of debt service lessened the claims on export earnings and strengthened the ability of the authorities to make the złoty exchange rate defensible. As other East European countries prepare fundamental reform, these same two forms of financial assistance should be made available to permit the creation of stable, convertible currencies.

The initial goals of Poland's reform program are now within reach. The corrective inflation has passed and the excess demand in the economy—reflected in shortages and high inflation—has been brought under control. Shortages have been eliminated in almost all parts of the economy, both at the household and industrial level. Foreign consumer goods are now widely available.

Household incomes are down by about 30 percent after correcting for inflation, but we believe that this decrease overstates the actual decline in living standards, as we have noted. Public opinion surveys show that households believe that the economic situation and their own economic welfare are somewhat better in March 1990 than they were three months earlier, despite the large recorded decrease in the real wage. Evidently the end of inflation and shortages, and the

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wider availability of goods, has compensated the population for the higher but now fairly stable prices.

In addition, the combined effect of the austerity measures and the fixed and competitive złoty exchange rate has been a quick turnaround in Poland's external trade situation. The trade balance with the West in the first four months of 1990 totaled a surplus of $1.2 billion, which is more than twice the surplus for the full year 1989. In particular, exports have picked up significantly, reaching nearly $1 billion in March, almost 20 percent higher than a year earlier.

The surplus that has been achieved has several important implications. First, the export increase indicates that the Polish economy can be successfully integrated with Western Europe. Second, the stable exchange rate, which is key to price stability, is better assured because of the rise in foreign exchange reserves. And third, the sacrifices that the Polish public has endured are resulting in a financial cushion that will lessen the risks of further crisis and create a stable environment in which the economic transformation can proceed.

The new "demand barrier," in which enterprises find it difficult to sell their total output, has led enterprises and workers alike to reevalutate their behavior. The managers of Polish firms, now cut loose from the protection of the state, are struggling to produce goods that the public will buy at competitive prices. For the first time, enterprises are faced with the need to market their products actively at home and abroad, and to compete with importers who can also deliver goods to the domestic market. While state enterprises still are likely to be more lax in financial management than are private firms, tight credit conditions and restrained demand are forcing state enterprises to weigh cost considerations as never before.

The state enterprises will need Western management assistance to learn to function properly in a market environment. Polish firms have been more a part of the state bureaucracy than a part of the marketplace. Most enterprises have had few contacts with Western businesses, know little about the potential markets in the rest of the world, and do not produce to Western specifications. Management consultants in the West have the knowledge and experience that could greatly accelerate the insertion of Polish firms into normal market life.

At the same time, the reduction in aggregate demand has caused a cyclical recession in Poland. One effect of the recession is a rise in unemployment. The official data show 266,000

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registered unemployed at the end of March, or about 1.5 percent of the 18-million person labor force, in comparison with almost zero at the end of 1989. Note that despite the rise of unemployment in early 1990, the overall unemployment rate remains far below that of almost all market economies, including the United States (where the unemployment rate was 5.4 percent of the labor force in April 1990). It is expected, however, that unemployment will rise further in future months, perhaps to between five and ten percent of the labor force, not out of line with unemployment rates seen in Western Europe. Polish unemployment will probably grow to exceed West European rates at least temporarily, as the restructuring of the labor force takes place in the next year or two.

The rising risk of unemployment has greatly affected the behavior of workers. Poland's over-full employment has long meant that workers could find new jobs easily, while businesses had difficulty finding workers, combating absenteeism and motivating a strong work effort. Now, with employees worried about potential job losses, sick leave has dropped sharply according to government surveys, wage pressures have abated and strike activity is negligible.

Besides unemployment, the drop in domestic sales is the other indication of recession, and the main source of concern about the state of the economy. Data for January through March show that the percentage of Polish production sold by the state sector was about 30 percent lower than in the same months of 1989. While a recession is undoubtedly in progress, these data overstate the depth of the decline, as they do not include the fastest growing sector of the economy, the private and informal markets (for which little comprehensive data are as yet available).

V

The first phase of the Polish leap to a market economy is on schedule. Some basic institutional steps remain to be taken in the course of 1990 and 1991, which will be important in setting the proper incentives for the new private sector. These include tax reform, further antimonopoly measures, additional liberalization of private business activity, and changes in profit repatriation rules in order to spur foreign investment.

These changes will be easier than the other, much more profound, structural adjustments still ahead in Poland. The

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deeper structural adjustments involve both basic institutional change—mainly the privatization of much of state industry—and the reallocation of the work force and capital within the economy. It is really with these deeper changes that the ultimate test of the government and its economic policies will be made.

Privatization is already proving to be one of the most contentious and complex issues facing the country. Britain's prime minister, Margaret Thatcher, who may be regarded as the most fervent privatizer of the 1980s, has presided over some two dozen privatizations in the past decade, most of which were carried out by public offerings of shares of state companies. In Poland, however, there are over 7,000 state enterprises that are candidates for privatization. Poland must therefore find new privatization means that are administratively feasible, economically efficient and politically viable.

The main barrier to privatization, and potentially the ultimate sticking point, is a heated political debate over who really owns the firms. The government is asserting its clear juridical title to the companies. The workers in many enterprises, on the other hand, are asserting a de facto if not de jure claim, and are arguing that shares should be turned over to the workers or held in trust in a form of worker self-management. The government is opposed to this solution on grounds of both equity and efficiency. It is not fair, the government asserts, to give away the majority of shares to current workers when the industrial work force is a mere third of the total work force, and when some workers happen to work in highly profitable enterprises while others work in firms near bankruptcy. The government has instead proposed that a limited (and minority) proportion of shares of an enterprise be sold cheaply to its workers.

The government is also correct, in our view, to oppose worker ownership of firms on efficiency grounds. Not only has the practical experience with worker self-management been dismal in Yugoslavia (the only country where it has been tried on a large scale), but there are compelling theoretical arguments against it. First, workers would be unwise to keep both their financial capital and their labor earning power (human capital) tied up in a single firm. It is better for workers to own (through pension funds, for example) the shares of enterprises other than their own. Second, worker-managed firms tend to be cut off from outside capital markets. As long as

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workers' councils are the management bodies, and therefore get to decide how much of a company's income stream will be categorized as "wages" versus "profits," the firm will have a difficult time attracting outside investors.

Another barrier to effective and rapid privatization will be the logistical problems. Poland's financial markets are very limited in scope, and the financial purchasing power of households is also very limited. Thus the government will have to come up with ways to sell the firms at very low prices, or will actually have to give shares away through one mechanism or another (e.g., share distributions as a form of employee bonus or retirement benefit). Various innovative schemes for transferring blocs of shares to local governments, state banks or new holding companies are also under intensive study.

In the short term, the government can likely maintain macroeconomic equilibrium even while the industrial sector remains largely in state hands. But privatization must proceed rapidly if the Polish government is to avoid a renewed financial crisis in a few years. Historical experience teaches that public enterprises around the world have been prone to repeated financial crises, through overinvestment and overly generous compensation of employees. Thus, in Latin America (where state ownership often reaches 50 percent of the industrial sector), financial crises in the state enterprises have been commonplace. Even in Western Europe, state firms have been unusually prone to financial embarrassment.

The second, and equally divisive, structural challenge is to close down parts of loss-making heavy industry and to reorient the economy toward light industry, housing construction and services. Declining industrial sectors, such as the coal industry in Britain or the steel sector in the United States, almost always provoke heated political battles in which vested interests in the declining sector lobby the government to slow down the process of decline. The results can be very expensive if protectionism and subsidies are used to keep old and failing industries alive. Poland and other East European economies face special risks in that regard, since it is likely that much of the heavy industrial sector should be cut back in scale and some enterprises should be closed down entirely. A rise in unemployment is inevitable, even in the long run after restructuring is completed, as some workers lose their jobs in declining industries.

This will present not only an economic challenge to the new

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government, but also a political challenge. It will be vital to have a strong social safety net in place, including unemployment insurance and job retraining and relocation programs. In addition, the government should actively support the formation of new small businesses to absorb the unemployed and to fill in the gaps in services, light industry and housing construction left by the previous system. It can do this with special credit programs directed toward small businesses, and with technical assistance.

Poland has good reason to endure the ongoing recession and persist in its efforts to transform the economy, because the long-run economic prospects are promising. The land is well-endowed with natural and human resources and in close geographic proximity to Western Europe. There is every reason to believe that economic and political integration with Western Europe will enable Poland to raise its living standards decisively, if market forces are allowed to guide the transformation. Although Polish workers currently earn only a small fraction of what their counterparts make in the West, the narrowing of this gap will come naturally through increased trade, transfers of technology and capital inflows aimed at modernizing Polish industry and taking advantage of Poland's low wages.

The long-run promise of Poland will certainly remain unfulfilled, however, if political barriers impede the transformation process. The most immediate risk is that economists and policymakers, misled by faulty data or spurred by populist politics, might attempt to arrest the recession through a renewal of inflationary policies. If Poland were to succumb to the temptation to reactivate the economy artificially at this early stage, the initial gains would be lost, and a resurgence of inflation and a balance-of-payments crisis would not be far off. The second risk is a paralyzing debate over privatization.

The third risk is a descent into protectionism, if coalitions of workers, managers and bureaucrats tied to declining sectors wage a successful lobbying battle to preserve their jobs in the face of adverse market forces. Argentina's fate in the past thirty years—when entrenched special interests frustrated desperately needed structural reforms—represents Poland's potential nightmare in the future. Poland and the rest of Eastern Europe, with their legacy of powerful state enterprises, bureaucratic entrenchment and monopolistic industrial organization, may be especially prone to this tragic denoue-

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ment, unless political leaders act bravely and decisively to fend off protectionist pressures.

VI

Success in Poland's transition to a market economy will require financial support from Western governments during the period of transition, as well as the determination of the West to welcome Poland as a full partner in the political and economic institutions of the Western nations. If support from the West is timely and on an adequate scale, and if Poland remains steadfast in its reform efforts, the transition period will be brief, and so too will be the period in which financial aid is needed.

The initial phase of Poland's transition to a market economy has already been assisted by the loans and debt relief extended to the Polish government. The $1-billion stabilization fund, the IMF standby loan and the export credits granted by several governments gave the Polish government the financial backing it needed to take the major steps of currency convertibility and price liberalization.

One clear lesson from the case of Poland is that the West should be preparing similar packages of lending and debt-service relief for other East European countries, to be made available, quickly and on an adequate scale, to governments that choose to undertake the key steps of currency convertibility and price decontrol. Holding out the promise of sufficient financial assistance would greatly bolster the new governments of Hungary and Czechoslovakia as they consider the case for making a decisive "leap" to the market.

Poland's state enterprises now face a much harsher economic environment than they did under communism. Without an urgent effort to bring technical assistance to Poland's state firms, much of Poland's state sector will perform poorly, deepening the recession unnecessarily and slowing down the process of privatization (as healthy firms are much easier to privatize than distressed firms). Potentially viable enterprises might slide into bankruptcy before their managements learned how to cope with the competitive forces that have been unleashed. This could put the economic program at political as well as economic risk.

Recognizing the urgency of this problem, Deputy Prime Minister Balcerowicz has called for the creation of a "Minister's Fund," supported by contributions from the West, which

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would provide individual enterprises with the management assistance that they need in the immediate future. Polish enterprises wishing to acquire Western expertise would be eligible to draw upon the fund, provided that they put up counterpart funds from their own resources. The fund would be administered in a decentralized fashion, with enterprises themselves arranging to receive the services of Western management consultants, marketing experts, accountants, auditors, investment bankers and lawyers.

Poland's most fundamental financial need is for a deep and permanent reduction of its external debt burden. Otherwise, the debt burden will remain as a profound barrier to economic recovery. So far, Western governments have agreed that Poland can participate in the Brady Plan, under which Poland will negotiate a reduction of its debt to commercial banks. The Brady Plan, however, would cover only $10 billion of Poland's $40-billion debt, since the remaining $30 billion is owed to governments rather than to banks. The G-7 governments have not, so far, committed to a policy of debt reduction on Poland's government-to-government debt.

A reduction of debt to commercial banks is certainly needed and should be arranged swiftly, with the assistance of the leading creditor governments and the international financial institutions. The debt could most effectively be reduced through a single, comprehensive "buyback"—agreed to by Poland and the banks—at the price of Poland's debt in the secondary capital markets, between 15 and 20 cents per dollar. With $8 billion of medium- and long-term debt owed to commercial creditors, roughly $1.5 billion would be required to consummate the deal. These funds could easily be raised from the resources allotted for this purpose at the International Monetary Fund and the World Bank, combined with the resources of the $1-billion stabilization fund and loans and grants from friendly governments and the new European Bank for Reconstruction and Development.

In order to arrange for such a simple and straightforward deal, Poland will require the clear backing of the creditor governments, which (as in all debt reduction deals under the Brady Plan) must work with their countries' banks to put such a deal in place. Without official debt relief, Poland will be stuck with an enormous debt overhang, which in turn will frustrate the flow of private funds into Poland that are so vitally needed for the growth of private economic activity.

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The case for official debt reduction should be plainly evident to Poland's leading creditor, the Federal Republic of Germany, for no country's history in the twentieth century makes as clear the case for a timely reduction of an unpayable foreign obligation. After World War I, Germany's unpayable reparations bill put forward by the allies helped to create the chaotic economic conditions that eased the rise of Hitler.

After World War II, the allied powers were far wiser. Not only did the United States lend generously to Germany under the Marshall Plan, but it also led a successful effort to cut Germany's debt burden significantly, in order to give that country a fresh start. Now, it is time for a democratic and prosperous Germany to lead a multilateral effort to provide Poland with the same kind of assistance today.

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Peter Tarnoff

AMERICA'S NEW SPECIAL RELATIONSHIPS

This summer the nations that emerged victorious from World War II will commemorate not only the 45th anniversary of their triumph but also the endurance of a remarkable period of peace and prosperity for the members of the Western alliances. In most respects we should not be surprised at the success of those Americans and Europeans responsible for building the post-World War II alliance system. They understood and had learned from the flaws of the 1919 Versailles Treaty; they worked hard to integrate the defeated countries into congenial security and economic arrangements rather than isolate and alienate them.

Roosevelt and Truman, Churchill, Attlee and Stalin, however, could never have imagined at Yalta or Potsdam that a resurgent Japan and Germany would become, in their children's lifetimes, the second and third most powerful economies in the world, and countries whose international influence would be exceeded only by that of the United States.

Dramatic and sometimes disturbing as these developments may be to many in the West, they offer clear directions for American foreign policy. Washington should move quickly to fully engage Tokyo and Bonn (or rather Berlin, when it becomes capital of a united Germany) in all major discussions about the shape of the post-Cold War world. While the United States, Germany and Japan must avoid fueling the suspicions of other governments that they intend to constitute a new tripartite "directorate," it is strongly in the American interest to assure that a shared vision informs policies in Washington, Tokyo and Berlin.

II

Why is it that Japan and Germany have grown more rapidly since 1945 than their Western partners, including the United States? What effects, if any, did their defeat and occupation by Allied forces have on their astounding postwar development?

In the years following 1945, Japan and Germany were

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encouraged by the Allies to concentrate almost exclusively on the immense task of reconstruction. After the war crimes trials of Tokyo and Nuremberg and the Allied purges of the German and Japanese wartime leaders, both countries turned to a generation of economic dynamos and nation builders; neither was distracted by ambitions of prolonging colonial empires. In part, ironically, because of the human and physical destruction inflicted on them, and in part because their basic laws were written by the Allies who remained as occupiers for periods of time (as they still do in Berlin), they never had to contend with serious problems of class struggle or *crise de régime*, as in France, or decaying plant and infrastructure and archaic social institutions as in Britain.

Under the benevolent oversight of the Allies, cooperative, even corporatist, institutions developed that promoted collaboration among government, business and labor, ensuring relative political moderation and social harmony. Moreover, the survivors of the war in both Germany and Japan were prepared to work hard for the prosperity of future generations; they were less demanding than consumers elsewhere in the West for the material dividends being generated by new technologies and the postwar expansion. Relatively more of the Japanese and German gross national products were reinvested, and both countries had well-educated, fairly homogeneous, disciplined populations that had known prosperity before the war and felt capable of rebuilding. Although the Allies tried to break up old leadership networks and business concentrations, many reemerged in different forms and contributed to strong economic growth in Germany and Japan.

Until the mid-1950s, Bonn and Tokyo also were exempted from the substantial defense spending that other Western governments incurred in the early Cold War. To a certain extent, both the Federal Republic of Germany and Japan were protected by their former adversaries, who initially wanted to assure the defense of the West by themselves. Bonn gradually did rearm and assume a share of the NATO burden (roughly three percent of its GNP goes to defense today), but Japan still devotes only slightly over one percent of GNP to defense, compared to a NATO average (excluding the United States and Canada) of nearly 3.4 percent. The United States now spends about six percent of its GNP on defense.

The alliance structures also promoted growth and stability in the F.R.G. and Japan. Once it joined NATO in 1955 and

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became a founding member of the European Community in 1957, Bonn was embedded in a network of treaties that most Germans quickly came to regard as indispensable to their future well-being. Although no comparable regional organizations were available in Asia, the U.S.-Japan Peace Treaty and the Mutual Security Act, both signed in 1951, formalized a new peacetime bilateral relationship that provided Tokyo with concrete security benefits as well as the promise of a uniquely valuable trading partnership. These guarantees of international support, rooted in systems of common values and objectives, also encouraged postwar regimes in Bonn and Tokyo to work closely with their Western partners. Internal economic development and political collaboration with the West became the watchwords for a succession of German chancellors and Japanese prime ministers.

The German and Japanese people, of course, deserve much credit for their accomplishments, overcoming as they did the pains of defeat and foreign occupation. But it is important to remember at this historical juncture that their achievements are due in part to deliberate efforts by their conquerors. Never before in the history of modern warfare have victors treated their former foes with comparable foresight, generosity and compassion.

III

Germany and Japan both bring unique and indispensable strengths to the building of the New West.

The F.R.G. now generates an annual worldwide trade surplus of more than $70 billion, larger than that of Japan; a united Germany will have 80 million people and will produce approximately one-third of the output of the European Community. The Bundeswehr fields the most potent land forces between the English Channel and the Soviet border even without nuclear weapons at its disposal, and it is likely that, at the urging of Europeans east and west, a united Germany will remain in NATO. As the Red Army withdraws from Eastern Europe, thereby reducing substantially the Soviet conventional threat, the German military establishment, even if it is reduced in response to eased tensions, will loom increasingly large, especially if significant numbers of U.S. forces also return home.

The strength of the German economy and the Deutsche mark will give Berlin increasing influence on the deliberations

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of the European Community. If the EC is enlarged in the next decade to include any or all of the members of the European Free Trade Association (Austria, Switzerland, Iceland, Norway, Finland and Sweden), Turkey or some of the new East European governments, Germany's influence, already considerable in all of these countries, will grow commensurately within the EC as well.

The German role in Europe will be expanding at a time when the economic prognoses for the EC are increasingly bullish. Although the costs of incorporating East Germany are likely to be high, a united Germany will remain the single largest Western trading nation and will be the biggest investor in Eastern Europe, and probably in the Soviet Union as well. Today, German trade with the U.S.S.R. is considerably greater than that of the United States or Japan—a strong springboard for making an even greater investment in the Soviet Union in the future.

It can be argued that German leadership will be circumscribed by its membership in the EC and NATO, and by historical suspicions of a strong Germany among its European neighbors and even within Germany itself, or that raw statistics may give an inflated picture of Germany's power and influence. London, Paris and Rome, as well as Warsaw, Prague and Budapest, will oppose any attempt by Berlin to break out of a common European consensus on major issues, and the Germans themselves will remain sensitive to the advantages of close ties with their European partners. But while it is true that Germany will not be able to act independently in ways that Washington or Tokyo can, German power will derive from its growing influence on the economic, foreign and security policies of the various European collectives.

Much of what is important in European politics and economics will revolve around this most substantial mass in the form of a new Germany. Once the European Monetary Union is realized, the Bundesbank will become the dominant central bank on the continent. German bankers and business executives are already involved in most major commercial and financial transactions throughout Europe. The security arrangements for a unified Germany, which must be endorsed by Bonn, will be crucial to whatever Pan-European security systems emerge. These agreements will set the stage for future East-West arms control accords, except for strategic agreements between the United States and the U.S.S.R. Any West-

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ern plans for reducing Third World debt and providing extended commitments for technical assistance to developing countries must include Germany's willingness to participate. In every respect, the new Germany will have much more to say than the F.R.G. has about the shape of the international order.

Japan's growing international prominence might have been easier to predict than that of Germany. Only recently, however, has it become apparent that Japan's impact on world affairs by the end of the decade is likely to be considerable. Because Japan's public and private decision-making processes are so opaque to outsiders (and even to many Japanese), and because Tokyo lacks a strategic global vision of the kind that world powers in the past and today's superpowers strive to project, there has been a tendency to underestimate the potential for Japanese global power. There is, however, no longer any excuse for such miscalculation.

If paper and real assets and high-technology capacity are the measures of economic power, Japan is gaining quickly on the United States. Nine of the world's top ten commercial banks and four of the top ten security houses and insurance companies are Japanese. The value of shares traded on the Tokyo stock exchange is comparable to that of New York and almost three times that of London. For the foreseeable future Japan will continue to run current account surpluses with the United States of roughly $50 billion a year. The value of Japanese overseas investment is estimated at over $1.5 trillion today, including more than $300 billion in the United States. Japan is investing more dollars abroad each year than any other member of the Organization of Economic Cooperation and Development (OECD). Moreover, there is little evidence that overall Japanese economic and financial growth will slacken anytime soon, despite recent fluctuations on the Tokyo stock exchange.

Japan's political role in Asia is also growing, albeit more discreetly. When Soviet President Mikhail Gorbachev considers serious diplomatic and economic openings in the Far East, he knows that convincing Tokyo will be his hardest and most important task. Before President Gorbachev visits Tokyo—as he is scheduled to do in 1991—the Soviets will likely decide to offer a qualified return to Japan of the "Northern Territories," four Japanese islands occupied by the U.S.S.R. since 1945. Such an accommodation could lead to increased Japanese investment in the U.S.S.R., although the amounts will not be

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large until there is political stability and a better business climate in the Soviet Union.

When China's political leaders think of rebuilding their weakened political standing and economic appeal on the ashes of the massacre of Tienanmen Square, they look first to Tokyo. When the four "Asian Tigers" (Korea, Taiwan, Singapore and Hong Kong) and the booming members of the Association of Southeast Asian Nations worry about exporting to an increasingly protectionist Europe and North America, their eyes turn to the huge Japanese market. And when the Indochinese communist leaders reflect on their own uncertain road to economic development once a lasting settlement in Cambodia is finally achieved, they know that only Japan can provide major economic help. As far away as Latin America and Eastern Europe newly emerging democracies also are working to attract Japanese attention. Japan as a "cornucopia" exercises a powerful attraction throughout the world, an image that makes most Japanese both uncomfortable and proud.

There is no doubt that such financial resources are the foundation for appreciable political power in a world where East-West security concerns are easing. What is less certain is where Japan will choose to exercise its influence. The question of how "international" Japan should become is now being vigorously debated. Apparently the Japanese answer will be "increasingly." The emerging generation of Japanese political and business leaders is more comfortable with international subjects and settings than their predecessors of the postwar years. More than 700,000 Japanese travel abroad each year, and communications technology has made the rest of the world quite familiar to the home islands. More young Japanese think internationally and believe that there can be distinctively Japanese approaches to world problems. Japanese diplomacy is becoming more active worldwide, and in the years to come Japan will function globally under many fewer inhibitions than heretofore.

IV

As Americans wonder whether or not to maintain their substantial international commitments, it may seem paradoxical to learn that Bonn and Tokyo consider good relations with Washington to be indispensable even as the Soviet threat recedes. During the present period of transition and uncer-

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tainty, and as both move to center stage, Japan and Germany are looking for support and counsel from the most reliable and experienced of their allies, the United States.

Take security matters, which are still more preoccupying in Tokyo, Bonn and Washington than elsewhere in the West. From a German perspective, the United States is by far the most important other participant in the "two plus four" negotiations about unifying Germany. Most Germans believe that a continuing American military presence in Europe and in Germany, albeit at reduced levels, is essential to the foundation of any new European security structure.

They also know that American nuclear weapons on the continent, preferably in the arsenals of both land and air forces, give credibility to the American deterrent at a time of transformation and instability in Eastern Europe and the Soviet Union. Germans realize that it will take an American conventional and nuclear commitment in Western Europe to reassure the other members of NATO, the neutral countries and the governments of Eastern Europe that the new Germany presents no long-term threat. Germany will need the U.S. military less for protection but more for political cover in the coming decade. Thoughts that a European "pillar" of NATO might gradually replace the U.S. military in Europe are less than appealing to many at a time when defense budgets are certain to decrease and an all-German defense force would dominate any West European security organization.

For its part Japan, concerned about the intentions of the Soviet Union, the dangers of chaos in the U.S.S.R., and uncertain transitions in North Korea and perhaps China, also wants the American commitment to endure. While strengthening their technical cooperation with the U.S. military and slowly augmenting the quality of their own armed forces, the Japanese are mindful that substantially increasing their own defenses would frighten the rest of Asia. Nuclear weapons aside, Japan now can field conventional forces superior to any save those of the United States and U.S.S.R.

In most of the countries of Europe and Asia there now seems to be stronger support for an overseas American military presence than at any time since the death of Stalin. The principal reason for the change is the emergence of Germany and Japan as potent international players. Leaders throughout Europe and Asia now understand that even under conditions of a reduced Soviet military and political challenge, a credible

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Western security system must include a United States that is militarily first among political equals.

America's economic strength, despite uncertainties about its competitiveness and the cumulative effects of its trade and current account deficits, is also important to Japan and Germany. The Japanese still ship almost 40 percent of their exports to the United States. Washington remains Tokyo's principal economic and financial partner, and despite persistent trade problems between the two nations neither is likely to find an alternative to the other in the years to come. Political tensions may grow and the tenor of the dialogue between the United States and Japan could deteriorate further, but a rupture of economic ties is unthinkable; U.S.-Japanese trade relations may be strained but they will not break. The recent agreement between Washington and Tokyo, providing for Japan to make sweeping changes in domestic commercial practices, is the latest example of the progress being made in opening Japan to freer trade. Moreover, Japan can be expected to come to the aid of the United States in subtle but significant ways in times of financial hardship, for Tokyo knows the consequences for itself and the world of any major disruptions in the American economy.

Germany's economic relations with the United States are determined in large part by its membership in the European Community and its greater trade with the rest of Europe. Nonetheless, the growing role of the Deutsche mark in the world economy will link it more to the dollar. The German Bundesbank and U.S. Federal Reserve system both enjoy a high degree of autonomy, facilitating close cooperation and setting them apart from the other Western central banks, which are more closely tied to national governments. In addition Germany wants the United States to help carry the investment burdens in Eastern Europe, where the newly independent governments are themselves worried at the prospect of German economic hegemony.

It is also likely that Japan and Germany will become more politically active outside of their own regions. Tokyo has committed substantial funds to international peacekeeping operations, to Eastern Europe and Latin America and has promoted dialogue between the OECD countries and newly industrializing Asian economies. The EC's framework for European political cooperation will influence Berlin's views, but in areas of special interest to Germany (Southern Africa and

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the Middle East, for example) the German chancellor will enjoy some freedom of action and be increasingly inclined to play a more active role.

V

In the early 1970s, Richard Nixon and Henry Kissinger conceived a form of triangular diplomacy to guide Washington's relations with Moscow and Beijing. Because the United States enjoyed better relations with the U.S.S.R. and China than the two major communist powers did with each other, Washington was able to practice a global diplomacy designed to exert maximum leverage on each of its principal foreign adversaries. It was also perceived to be in America's interest for the U.S.S.R. and China to remain estranged from each other, if not in direct conflict.

The triangular diplomacy of the 1970s brought mixed results: it created a favorable climate for significant strategic arms control and normalization with China on terms acceptable to the United States, but it failed to resolve the war in Vietnam or to slow the proliferation of regional disputes involving proxies of the superpowers. This triangular approach to American diplomacy foundered when détente with the U.S.S.R. expired in Angola, Afghanistan, Cambodia and Central America, and the Reagan administration was swept into office on a strong tide of anti-Soviet and pro-defense sentiment.

In the 1990s there will be an opportunity for Washington to practice a quieter but also more constructive form of triangular diplomacy. The potential for American leadership in dealing with Germany and Japan is premised in part on closer American ties to both than either has with the other. Of all their foreign partners, only the United States today enjoys sufficient standing in both Japan and Germany to be in a position to discuss fully with either the essential elements of a common course for the West.

Early in his first year, and before German unification seemed imminent, President Bush demonstrated his understanding that Bonn had become America's most powerful friend in Western Europe and a government worth cultivating assiduously. Despite initial differences with the F.R.G. over the modernization of American Lance missiles on German soil—an issue later resolved during the May 1989 NATO summit in Bonn and now moot—Washington and Bonn remained in

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close step during the frantic collapse of the East European communist regimes and the rapid rapprochement between East and West Germany. There is greater enthusiasm for German unification in the United States than anywhere in non-German Europe. A recent poll indicates that three-quarters of Americans are favorably disposed to German unification, and a majority of Americans support the maintenance of current levels of U.S. forces in Europe. West German Chancellor Helmut Kohl, whose position was reinforced by the strong electoral showing of the Christian Democratic forces in East Germany last March and who is favored to win the December general elections in the F.R.G., has every reason to expect that President Bush will be a solid supporter during the course of the multilateral negotiations leading to German unification. At this juncture, and probably for some time to come, neither French President François Mitterrand nor British Prime Minister Margaret Thatcher will be on equally good political terms with the German chancellor.

High-level attention to Japan has been less constant in the Bush administration. Uncertainty over the leadership and future strength of the governing Liberal Democratic Party may have been one reason for Washington's restraint—before the LDP won a majority in the February elections for the lower house of the Diet. It is striking, however, that President Bush met with European Commission President Jacques Delors five times in 1989 but found time to see the Japanese prime minister only once that year. In dealing with Asia, the prolonged but futile attempts by the administration to moderate the course of events in China, as well as lingering expectations that Beijing might develop into an economic and political superpower within a decade or two, may also have distracted Washington from attending to a country whose bilateral importance to the United States is second to none. It now seems clear to Washington that the Japan connection is of consummate long-term importance and must not be neglected even when more dramatic developments in the U.S.S.R. and Eastern Europe dominate the headlines.

VI

The primary objective of a new triangular diplomacy by the Bush administration would be for Washington to make sure that Germany and Japan are substantively engaged on every major international issue so that, wherever possible, positions

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can be harmonized. In addition, the United States should seek to ensure that channels are opened between Berlin and Tokyo. This bridging operation, initiated by the United States, as delicate as it is desirable, could have a significant impact on the building of a new Western system of understanding. Communication between Western Europe and Japan is still insufficient on most issues of high public policy. Tokyo's absence from the deliberations of the European Community, NATO and the Conference on Security and Cooperation in Europe (CSCE) compounds the problem of its isolation. Moreover Japan's only treaty relationships are its alliance ties to the United States, and the other Western assemblies that do include Japan—the OECD, the Group of Seven and annual economic summits—cannot cope with the volume of consultation now required.

There are, of course, European issues in which Japan need not play a central role—the mechanics of the unification of Germany, or the future structure of NATO, the Warsaw Pact and any Pan-European security system—all of which should be discussed among the Atlantic alliance partners and then decided in the CSCE context. Nonetheless, other pressing matters exist where European-Japanese understanding brokered by the United States could prove critical: policies for dealing with the U.S.S.R. and China, sustaining the new East European regimes, North-South development issues and regional conflict resolution, as well as global environmental, scientific and special issues such as drugs, terrorism, population, health and famine.

Of comparable importance is the need for better communication between Europe and Japan on a wide range of economic and trade issues. These two major trading entities often regard each other with extreme suspicion. With the Uruguay round of the General Agreement on Tariffs and Trade negotiations well under way, and with the increased likelihood of protectionism and the expansion of regional economic blocs, there is a need for the West to reach broader agreements on new configurations for the world economic system. North Americans, Japanese and West Europeans often meet to talk about immediate short-term economic and financial issues, but even during these summits there is rarely any serious discussion of macroeconomic planning involving collective responsibility and guidelines for the management of their economies.

It is also apparent that the leaders of the developed countries pay insufficient attention to the painful issues of wide-

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spread poverty, violence and disease in the poorest countries of the world. In an era of unprecedented prosperity and political promise, the industrialized democracies should not neglect the hundreds of millions—principally in Africa—suffering from hunger, disease and despair. The only way to attend to the acute humanitarian needs of the present and gradually build modest hopes for the future is for the new "Big Three" to take the lead and the responsibility. It is argued that voters will not tolerate the use of more public funds for this purpose, but what is political and moral leadership if not to press the case and set an example—especially in the wealthiest country in the world, which manages to find several hundred billion dollars of taxpayers' money to bail out its savings and loan industry?

The challenge of developing approaches to these issues is great, but there is little hope for progress if Germany, Japan and the United States—countries where nine percent of the world's population produces 40 percent of its wealth—are unable to find ways to work cooperatively. Pending the establishment of broader coordination mechanisms, enhanced consultations involving the United States, Japan and Germany are urgently needed. Although some Europeans may be concerned at what they perceive to be an attempt to impose a three-power directorate or "Group of Three" at the apex of the global hierarchy, tripartite contacts consisting of informal two- and three-way conversations should reduce alliance anxieties.

The success of these consultations will ultimately depend, of course, not on their structure but on their content. Such talks will make a contribution if the United States displays leadership in the form of ideas and resources. On matters relating to Eastern Europe, for example, the United States cannot pretend to be a major player if Washington defers primarily to the West Europeans for initiative and financing. On questions of debt relief and development for the poorer countries, the United States should encourage Japan to propose policies at a conceptual level and should recognize Tokyo, in terms of prestige and position, as a leader—not just a primary funder. Why should the next president of the World Bank not be Japanese, and why should Japan not be given greater voting strength than the United States in international financial institutions if Tokyo's contributions exceed those of Washington? There is a better chance that Japan will consent to provide

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greater assistance from its burgeoning capital surpluses if Tokyo perceives itself to be a senior partner, not merely an automatic teller machine, in the allocation process.

The ability of the United States to help establish a new international agenda with Germany and Japan also will depend on the vitality of America itself. We cannot stand tall in the world on feet of clay or on a mountain of dollars provided to us by the Japanese. It is clear that America's ability to maintain an international leadership role will depend in large measure on the support of the American voter and solutions to challenges Washington faces at home.

As the Soviet threat fades, there is already growing public pressure to reduce America's foreign entanglements. In such a climate the United States can successfully resist an abrupt contraction in American involvement abroad only if its citizens believe they can deal internationally from a position of strength that, in turn, is based on confidence that their domestic economy will adjust to the exigencies of change at home and abroad. If, on the other hand, the United States is consumed by its failure to resolve internal social problems, American leaders will have little political support for an activist international role. America's principal foreign partners also will judge the resiliency of the United States in part on the degree of its domestic consensus, its prosperity and its stability. Moreover, if Americans continue to poor-mouth themselves, claiming that resources are lacking to innovate or improve conditions here or abroad, they will convince others that the United States is unable to deal capably with the demands of the 21st century.

VII

Recognizing the critical importance of Japan and Germany, and operating diplomatically to engage them profoundly in the reconstruction of the post Cold-War world, presents a formidable opportunity for the United States. Even though it lacks the overwhelming economic and military superiority it had in the late 1940s, the United States occupies a pivotal place in the changing constellation of world politics: its economy remains the largest, its military strength unequaled and its values widely acclaimed. For their part, Japan and Germany would find advantages in working to define their larger international purposes in conjunction with the United States. A primary goal of a revived American diplomacy would be to

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provide further inducements to Berlin and Tokyo to remain cornerstones of the Western alliance systems. This anchoring to the West is especially important for Japan, which has fewer historical and cultural ties to its developed partners than does Germany. As a consequence, and assuming that the U.S.S.R. no longer presents a military threat to the West, and that the dissolution of communist power in Eastern Europe is irreversible, America's leading international partners will likely be Berlin and Tokyo.

It will be a bitter experience for some in the West to depend heavily on the collaboration of countries that caused so much havoc half a century ago. These sentiments are understandable, but it would be wiser to take heart from ample evidence that Japan and Germany, after paying a high price themselves, have performed extremely well in the span of only two generations, and have successfully built democratic political institutions. Moreover, it is now in the greater interest of the West to have Berlin and Tokyo participate more energetically and creatively in world affairs, because our system and way of life will directly benefit. It is time to take advantage of the fact that Germany and Japan have earned a fair share of power in the world, as well as our support, friendship and respect.

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Fred Charles Iklé
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JAPAN'S GRAND STRATEGY

The strategic transformation of Europe and the multiple crises in the Soviet Union will profoundly change Japan's security environment. The retrenchment of Soviet forces confronting NATO has given new political meaning to the Soviet forces facing Japan.

As Soviet territory spans half the globe, America and its allies confront in Asia the same adversary as in the center of Germany. Communism's collapse in Eastern Europe, and its decomposition in the Soviet republics, is likely to undermine rulers in Pyongyang, Hanoi and Beijing. Before long, Mikhail Gorbachev may launch arms control initiatives aimed at Japanese and U.S. forces in the Pacific, perhaps even by opening negotiations on the return of Japan's Northern Territories.

Japan's security strategy is still shaped and circumscribed by its alliance with the United States. Soon, however, the purpose and nature of that alliance will be affected by the changes in Europe. The need to adjust the American-Japanese alliance to the changing global strategic environment comes at a time when Washington and Tokyo are also negotiating stubborn economic issues. This fact makes it all the more important that each nation understand how the alliance serves its own long-term interests. In the past a broad consensus in Japan supported America's global policy of containment and valued the alliance as a protective shield against Soviet encroachment. These simple strategic concepts may still have merit, but soon will not suffice.

The time has come for Japan to develop a sense of purpose for contributing to a peaceful world on a scope commensurate with its enormous economic and technological strength. Japan needs a grand strategy consonant with its self-image as a

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humanistic, democratic and peaceful nation, and a strategy able to win broad support among the Japanese people. To this end, the geographic horizon of Japan's defense policy must expand beyond the region of the Japanese islands.

Tokyo has pursued global economic policies for years by participating in international financial organizations and economic assistance programs and by guiding the far-flung investments of large Japanese corporations. But the Japanese body politic may be inclined to resist commensurate expansion of the nation's security horizon. Japanese public sentiment reflects a reluctance to become engaged in issues of foreign policy and defense. Over time, however, the disparity between the global horizon of Japan's economic policies and the regional horizon of its security strategy cannot persist. A nation with the economic and technological strength of Japan is unlikely to remain a purely regional power in the 21st century.

II

Japan's grand strategy will need to be developed in three dimensions. First, the regional dimension of Japanese security strategy must be adjusted to changes in the Soviet Union. Second, a global security dimension must be developed that takes account of not only Japan's economic relationship with distant regions, but also the potential spill-over of warfare or the actions of hostile forces. Third, a nuclear dimension must be included as well, not by Japan building its own nuclear arsenal, but by supporting a strategic order to prevent nuclear attack.

Today the regional dimension of Japan's security policy is still dominated by the threat posed by Soviet forces. For decades this threat has provided the main rationale for Japan's alliance with the United States. In recent years it has been essentially the only rationale. Given the transformation of East-West relations, the alliance must now devise a broader purpose and a long-term vision.

Both Japan's alliance with America and its adversarial relationship with the Soviet Union were not only created but repeatedly reinforced by developments in the postwar era. As a result of U.S. occupation, Japan became part of the American system for containing Soviet expansion. With the Korean War, Japan became the geographic anchor, as well as the main strategic reason, for America's effort to repel communist aggression in Korea.

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More recently Japan has assumed an increasingly active role as a military ally of the United States by expanding its own defenses to counter the growth of Soviet military power in the Far East. In 1982, as urged by Washington, Tokyo decided to acquire the ability to defend sea-lanes 1,000 miles from its shores. In 1985 it adopted a new defense plan providing for a steady buildup, particularly in air and naval forces. In 1987 Japan breached its self-imposed, one-percent-of-GNP limit for defense spending. As part of this buildup Japan has deployed early warning aircraft, F-15 tactical fighter aircraft, new surface-to-air missiles, antiship and antitank guided missiles, new tanks, transport helicopters, sonar systems and antisubmarine aircraft. Its codevelopment of the FSX aircraft with the United States will equip Japan with a new support fighter for the 1990s.

For a number of reasons Japan's defense effort has been almost exclusively directed toward the Soviet Union. First, for the Japanese people the threat of Soviet military power was brought close to home by Stalin's support of Kim Il Sung's attempted conquest of South Korea. Second, the Soviet Union has stoked Japanese fears by its long history of menacingly demonstrating Soviet power in the region, including overflights and the buildup of Soviet forces facing Hokkaido in the 1980s. Third, the Soviet occupation of Japan's Northern Territories continues to nurture resentment among many Japanese citizens.

The historical reasons for Japan's adversarial relationship with the Soviet Union will become progressively weaker if the recent trends in Soviet foreign and domestic policy continue. Should democratization take root in the Soviet Union and should Moscow sharply reduce its military spending, a Soviet menace would no longer dominate Japan's strategic planning. Tokyo is already considering a reduction in military personnel, and its budget for new armaments and equipment will probably cease to grow. At the same time Tokyo is beginning to realize that the Soviet Union may not be Japan's only security concern in the future.

The importance of China, relative to that of the Soviet Union, is likely to grow in Japan's grand strategy. In terms of sheer military capability, China will represent a lesser threat for a long time to come. But Japan's relationship with China is both more intimate and more complex than its relationship with the Soviet Union. It is, therefore, likely to pose more

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difficult strategic problems. It is more intimate because of the proximity of China's huge population and its stronger economic links. Ninety percent of China's population lives within 2,000 miles of Japan, while the majority of the smaller Soviet population lives 3,000-6,000 miles away. Sino-Japanese trade is three to four times larger than Soviet-Japanese trade, and is likely to remain larger for some time.

Tokyo's relationship with Beijing is also more complex because its recent history is more discontinuous. The discontinuities derive from the drastic changes in both Sino-Soviet and Sino-American relations. In the 1950s Tokyo saw the Soviet and Chinese threats as fused. In the 1970s, while not quite sharing Washington's enthusiasm for its newly discovered strategic harmony with Beijing, Tokyo nonetheless followed America's rapprochement with China. The role of China in Japan's long-term strategy is difficult to anticipate, not only because of these repeated rearrangements in the Washington-Beijing-Moscow triangle, but for psychological reasons as well. For Japanese the moral coloration of their relationship with Moscow is straightforward: Moscow remains guilty of territorial expansion at the expense of Japan. The moral coloration of Japan's relationship with China is just the opposite: Japan's invasion of Manchuria in the 1930s reverses the placement of guilt and grievance. Even if Soviet military power continues to menace Japan as it has in recent years, Tokyo's long-term strategy will clearly need to give a great deal more care and weight to relations with Beijing.

The Sino-Japanese relationship, in turn, will bear heavily on the smaller nations in the region. A complex web of bilateral relations has evolved around China and Japan. Many smaller nations are linked as allies, as tolerant neighbors or as adversaries in taut military standoffs. Vietnam still has strained relations with China; China and Taiwan maintain a delicate armed truce; North Korea continues to threaten South Korea; China supports North Korea; the United States maintains sizable forces in South Korea while nurturing a strategic relationship with China.

In part by accident, in part by design, this intricate concatenation has acquired remarkable stability. Critical to this stability is the absence of military competition between China and Japan. This favorable condition depends to a large extent on the American-Japanese alliance. Consequently, in looking to the future, it would be a mistake to regard this alliance

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exclusively as a protection against a Soviet adversary. If the American-Japanese alliance were ended, the strategic architecture of the region would be unhinged.

The American-Japanese alliance has helped to keep dormant the question of the "balance" or "imbalance" between the military forces of Japan and China. This is no minor matter. Communist China has been involved in armed hostilities with many of its neighbors: India, the Soviet Union, South Korea, and even communist Vietnam, although China had vigorously supported North Vietnam throughout its protracted war with the United States. It is particularly relevant for Japan's defense planners that China's relationship with India, a nonaligned power, remains burdened by chronic military confrontation. The Sino-Indian arms competition should be a warning to those in Japan who think that phasing out the alliance with the United States will improve relations with China.

China's history in this century is itself deeply cleft by discontinuities. Its various rulers have launched grand programs, again and again, designed to reshape the nation's identity and restore its cohesion. Yet China has failed to develop the self-renewing democratic institutions that have enabled other nations to modernize and adapt to change. A new cleavage in the Chinese national identity seems almost inevitable, given that its present rulers rely on an imported ideology that has been discarded by most other nations and still seek to rally their people around alien symbols. The Middle Kingdom cannot long continue to idolize discredited Russian dictators and a bearded, bookish, nineteenth-century German.

A critical question for Japan's long-term strategy is whether China can contain this inner restlessness. The repression in China unleashed in June 1989 has greatly unsettled Japanese public opinion. Many Japanese now recognize that developments in China could mean new security problems for their own nation, ranging from Chinese refugees to a militarist, expansionist phase of China's foreign policy. There are examples in the past of major agrarian nations transforming themselves into industrial powers and embarking on policies of imperial expansion: Britain, France, the United States and Germany in the nineteenth century, and Japan itself and the Soviet Union in the twentieth century.

Other developments in the region will create additional challenges for Japanese security strategy. The eventual demise

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of the anachronistic communist dictatorship in Pyongyang will surely bring about the unification of the Korean peninsula—unless Beijing intervenes with its own brand of the "Brezhnev Doctrine." A unified Korea might well continue, albeit in a slow and perhaps ambiguous manner, the nuclear weapons program it would inherit from the North. Strategic changes must also be expected for the Philippines. The Soviet threat has been the justification for U.S. bases there, but reduction in the American military presence seems probable, and could even lead to a partial abandonment of these bases within the decade. This development will make the political and social instability of the Philippines a more direct concern for Japan.

For three decades both Washington and Tokyo have framed the American-Japanese alliance almost exclusively in terms of the Soviet threat. In the future, however, this alliance is likely to play an important role for Japan's security relations with other powers in the region as well.

III

Japan's grand strategy will also need to acquire a global dimension. A nation regarded as one of the world's wealthiest and economically most powerful is liable to become the target of envy, resentment and even overtly hostile acts from nearly any quarter of the globe. The United States discovered in the 1970s that, quite independent of its Soviet adversary, other nations, such as Libya or faraway Iran, could inflict considerable harm on American prestige and citizens. The essence of a national security strategy is to prepare for a wide range of plausible contingencies, not simply the immediate concerns of today.

Warfare among distant countries could cause disastrous repercussions in Japan and elsewhere. A war in the Middle East, for example, could lead to a drought of oil from the Persian Gulf region, severely crippling Japan's economy. This danger exists even today, and of course also confronts Western Europe and the United States. Additionally, technological and demographic trends portend changes in the military topography of the world. New areas may rise on the global map as centers of military power and as potential sources of aggression. Even today several nations, primarily in the Middle East, are beginning to manufacture chemical weapons capable of inflicting dreadful civilian and military casualties. Moreover, the world arms trade is becoming more diffuse as a growing

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number of countries build up their arms industries. Brazil, Argentina, Egypt, India and North Korea are just some of the new suppliers to the world arms market.

Even if NATO and the Warsaw Pact agree to massive arms reductions, countries elsewhere are likely to maintain or build up strong military forces. Such military strength could not only provide considerable immunity from retaliatory responses but might also be used to launch expeditionary forces to distant places. Vietnamese forces, for example, have moved into Cambodia and Laos. India's huge and still-growing military establishment will give that country a dominant strategic role from the Strait of Malacca to the Horn of Africa. Moreover, the Soviet Union or perhaps China might lend substantial support to some of these emerging military powers.

In addition to the diffusion of military technology, demographic trends may create new sources of conflict in many regions of the world. According to World Bank forecasts, by the year 2025 India's population will number close to 1.4 billion, Indonesia's population close to 280 million, and Egypt and the Philippines 100 million each. In many areas, deep-rooted ethnic hostilities will further exacerbate these population pressures. Such conditions will build up tensions that may at times lead to terribly destructive wars, driven by fanatical ideology or aggressive religious fundamentalism.

The citizens of Japan are keenly aware that their nation's economy is highly dependent on events in faraway regions. But they tend to see the military security of their nation in a more narrow, regional context. Although an island nation, Japan is no more immune to worldwide security threats than, say, Britain. Indeed, with its high population density, intricate infrastructure, worldwide financial links and dependence on imported oil, Japan would seem to be more vulnerable than most other industrialized nations.

While some Japanese would turn to the United Nations for security solutions or seek to go it alone, these ideas would prove largely ineffective. For the foreseeable future it is unlikely that the United Nations could deter armed attacks by determined aggressors. The penchant among some Japanese to look to the United Nations for protection of their global security interests would be unlikely to survive the first crisis that put the power of the United Nations to the test. Equally unrealistic would be an attempt by Japan to provide this protection alone. In this age of advanced weaponry and global

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interconnection, an autarkic security strategy is an unattractive alternative to a system of alliances. If the need for allies holds true for the United States and the European Community, it is particularly compelling for Japan, given its small territory and vulnerable economy. An isolationist defense strategy would lack a necessary global reach and the capabilities of a strong coalition.

For the near term the alliance with the United States is Japan's best link to a global security structure. By the end of the 1990s a trilateral security system may emerge among the European Community, the United States and Japan that would reflect existing financial alliances.

IV

No matter how lasting the recent transformation of Europe and its effect on Asia and future arms control agreements, the dangers posed by nuclear weapons cannot be entirely eliminated. Japan's long-term security strategy cannot escape the continued existence of nuclear arsenals.

The nuclear strategy of the United States will be altered by the recent changes in Europe. This, in turn, will alter the role of nuclear weapons in the Asian-Pacific area. For forty years Western Europe has dominated America's nuclear strategy and the development of American nuclear forces. NATO has been the fulcrum and lever moving U.S. nuclear strategy. The U.S.-Japanese alliance, meanwhile, has had no such influence. A Soviet invasion of West Germany seemed far more possible than an invasion of Japan, and the defense of Western Europe against conventional attack seemed to require backing by nuclear forces in a way that the defense of Japan did not.

NATO has also played a far more important role than the U.S.-Japanese alliance in the evolution of nuclear arms control. During protracted negotiations on intermediate-range nuclear forces, it was by no means assured that the U.S.-proposed ban on Soviet SS-20s would cover Asia. It took a strong stand by U.S. Defense Secretary Caspar Weinberger to overcome those in the U.S. government who sought a quick agreement by allowing the Soviets to keep these missiles in Asia. Finally in 1987 President Reagan reaffirmed, and Gorbachev agreed, that the ban on intermediate-range missiles be global.

The Japanese government has wisely refrained from becoming enmeshed in the abstract questions and theoretical assertions of nuclear strategy that have bedeviled NATO councils.

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The American-Japanese alliance is disentangled from the long-contentious NATO debates on modernizing short-range missiles and from the convoluted and essentially unsolvable questions of "nuclear coupling," "flexible response," "tactical forces" and "first use." Free of such scholastic baggage, the Japanese are now able to chart a more fundamental and forward-looking approach to the long-term problems posed by the existence of nuclear weapons.

Japan's position on nuclear arms is, of course, shaped by its history; August 1945 continues to exert a strong influence on its nuclear policy. National sentiment against nuclear arms found expression in the mid-1960s in Tokyo's affirmation that Japan will not possess, manufacture or allow the introduction of nuclear weapons into its country. Since that time Japanese public opinion has changed little, and the expressed views of Japanese governments have largely been confined to arms control aspects. Vague references to the American nuclear guarantee have had to satisfy any possible questions regarding nuclear threats. Absent have been the accusatory doubts of De Gaulle's France that the U.S. nuclear guarantee was unreliable, or the anxiety of West Germany that such a guarantee would see the nation turned into a nuclear battlefield while the superpowers remained sanctuaries.

For Tokyo the American nuclear guarantee has provided not only a shield from nuclear threats but also an excuse for avoiding the abhorrent questions of the nuclear age. The somewhat aloof passivity of Japan toward the workings of nuclear deterrence may continue for several years, since the salience of nuclear issues in Japan may diminish as a result of new arms agreements. For decades to come, however, Japan will have to coexist with nuclear-armed countries.

Japan will remain one of the world's richest nations, enmeshed in the affairs of every continent through its expanding economic interests. Among non-nuclear nations, it will be the strongest economically, technologically and, potentially, militarily. It will possess the scientific and industrial wherewithal to become a major nuclear power of intercontinental reach. With such global influence and military weight, Japan will affect the nuclear strategies of other powers simply by virtue of its existence. It cannot escape playing an important role in the worldwide dynamic of nuclear deterrence and of latent or actual nuclear threats. The question, then, is not whether

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Japan will play a role in global nuclear strategy, but what kind of role it will play.

Japan need not spell out this role in detail right now. Given the turbulence and profound uncertainty in the Soviet Union, the attempt would be premature. Should the East-West confrontation in Europe continue to melt away, however, many European political leaders would begin to reject the intellectual edifice of the West's nuclear strategy as obsolete. The almost exclusively bipolar view of nuclear deterrence that has prevailed for forty years would be displaced by strategic concepts better suited to potential nuclear threats from several countries and a wider range of contingencies. Such an evolution fits Japan's long-term security needs well, since the future strategic environment in the Asian-Pacific region is unlikely ever to be as starkly bipolar as was its European counterpart. The proximity of two independent nuclear powers—the Soviet Union and China—and potential shifts in China's political position between the United States and the Soviet Union place Japan at the vortex of multipolar nuclear relations.

But how can Japan develop a grand strategy appropriate for the nuclear age, given its history and its public's feelings about nuclear weapons? Some Japanese advocate minimizing their country's security ties with the United States or even becoming nonaligned, though definitely without nuclear arms. The proponents of nonalignment believe that Japan's conventionally armed Self-Defense Forces and its industrial power would always suffice to protect the nation. Such a policy of total military self-reliance would risk stirring up latent military tensions with its neighbors. Additionally, it leaves Japan without a long-term answer to nuclear threats from Moscow, Beijing or a new nuclear power, perhaps a united Korea.

Were Tokyo to face a nuclear crisis in the future, it could not suddenly improvise an adequate response. It is easier to leave an alliance than to find one in the midst of a crisis. The American public and the U.S. Congress would likely hesitate to brave a renewed foreign entanglement—under a nuclear threat—by rescuing a Japan that had previously spurned its alliance with the United States. There might be sympathy in Washington, as there was for France in 1940, but little help.

Even less plausible is that Japan would become a nonaligned nuclear power. Such a policy might well induce several countries in the region to form an alliance against Japan. Moreover, the decision to build an independent nuclear force would have

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to overcome deeply embedded opposition from the nation's own people. A change of attitude would likely require a cataclysmic event. Even then it would take some ten years or more to build a survivable nuclear force. If the decision were taken in response to a sudden threat to the nation, that ten-year delay would be far too long.

It is puzzling to fathom what the prominent Diet member Shintaro Ishihara had in mind when he recently asserted that a security system to meet Japanese needs could be built by Japan alone. Would such a solitary strategy include or exclude nuclear weapons? Neither alternative could be achieved without inflicting serious harm to Japan's standing in the region and without diminishing Japan's security.

By preserving the alliance with the United States, Japan will do more than maintain an "insurance policy" against nuclear crisis. The alliance gives Tokyo the option to become more actively engaged in great-power strategy and in global nuclear arms control. Tokyo, for instance, decided in 1986 to participate in the U.S. Strategic Defense Initiative by allowing its companies to conduct research under contract with the U.S. Defense Department. The fact that the effort was intended for defensive systems, not offensive nuclear missiles, helped to make it consonant with Japan's non-nuclear policy. Moreover, the broad rationale with which President Reagan promoted strategic defense appealed to Japan's antinuclear sentiment. Even though the U.S. strategic defense program has since become less ambitious, Tokyo's decision to participate in it suggests a direction in which a more active Japanese role in global nuclear strategy might evolve.

The crucial role of the American-Japanese alliance in the nuclear dimension can best be preserved by maintaining a sense of trust and meaningful links between the two nations. The presence in Japan of U.S. bases and armed forces provides a military and political link understood by both friend and foe. Maintaining some U.S. forces in Japan serves the interests of both nations. It is a disincentive to nuclear proliferation and a deterrent to nuclear threats. For Japanese worried about the asymmetrical nature of the alliance with the United States, an increase in the Japanese military's use of bases in the American southwest for tests and exercises would be welcomed. Further technological cooperation for the common defense, including air defense and ballistic missile de-

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fense, would also help, as would increased Japanese intellectual participation in the shaping of global nuclear strategies.

Far into the future, however, the American-Japanese alliance will combine unequal roles for the two partners. Japan will need to rely on the strategic nuclear forces of the United States to deter any use of nuclear weapons against it; the United States will have to rely on Japan to help maintain a secure world order, to cooperate on advanced military technologies, and to keep those technologies from potential enemies.

Tokyo has emphatically stressed for four decades that Japan's slowly growing national security effort was for self-defense, meaning that its forces would only fight an aggressor on, or in the immediate vicinity of, the Japanese islands. This maxim has been beneficial for Japan's domestic politics and reassuring for its neighbors. In the decades to come, Japan will share with other leading democracies a continuing and vital interest in preserving a peaceful world order. The time may thus come for Japan to shift its strategic emphasis from self-defense, and from the growing connotation of a certain "selfishness," to one of co-responsibility for the defense of a global security system.

V

In every dimension of Japan's strategic security—regional, global and nuclear—its alliance with the United States will play an important role. The test of any military alliance comes when a new contingency requires a common response. The Japanese-American alliance is potentially more flexible than NATO because, as a multilateral alliance, NATO requires consensus among its many member states and must overcome the resistance of its own bureaucracy.

This structural difference is reinforced by differences in the geographic scope and basic defense policy of the two alliances. For America and Japan their alliance is less circumscribed in geographic scope than NATO. This difference is reflected in the language of the two treaties. The 1960 treaty between the United States and Japan refers to the parties' common concern in maintaining peace and security in the "Far East"—a broad and somewhat undefined region. The North Atlantic Treaty, by contrast, limits its scope to the principal territories of the member states, plus their forces deployed in specified ocean areas. There is no mention in the NATO treaty of possible

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common actions to maintain peace and security beyond these territorial confines.

More significant than differences in treaty language is the political-military tradition of each alliance. The history of the U.S.-Japanese alliance includes periods of cooperation against adversaries other than the Soviet Union. NATO's exclusive focus on a Warsaw Pact threat that is no longer plausible may hinder the now necessary transformation of NATO into an alliance of broader scope. For the American-Japanese alliance, given its more diversified history and more flexible treaty, it should be easier to transcend its recent preoccupation with the Soviet forces facing Hokkaido.

At times NATO has acknowledged hesitantly that it might face other threats to its common interests, for example, in the Persian Gulf. Whenever Washington sought common action for such contingencies, however, it was forced to proceed bilaterally with European capitals, outside the alliance structure. When the Iran-Iraq War began to threaten international shipping in the Persian Gulf, NATO did not take any action as a multilateral alliance. On a purely bilateral basis, however, the United States was able to persuade Britain, France, the Netherlands and West Germany to lend support to American efforts. Prime Minister Yasuhiro Nakasone also recognized that Japan shared a common interest with the United States and Western Europe in free navigation through the gulf. Because of internal opposition, however, Tokyo rejected even token assistance by Japanese naval forces, opting instead to make a payment toward the costs incurred by the United States.

Future Japanese participation in global security operations would not have to rely on naval capabilities alone. Space-based communications and intelligence capabilities complement navies and air forces in projecting power at a distance. In the 21st century these space capabilities will play an even greater role. Japan clearly has the scientific and industrial capability to use outer space for all these functions and it is increasingly active in the development of space technology.

The role that Japan might play in a global security coalition is mainly a political question and, one might add, a question of intellectual development in Tokyo. It seems unlikely that Japan's body politic would remain content through the end of this decade to see the nation a mere bystander on matters that affect the strategic order of the world. The ongoing strategic

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revolution in the center of Europe is bound to raise new questions in Japan about the shape and purpose of Japan's own national defense effort. Thoughtful people will realize, or rediscover, how profoundly Japan's security can be affected by threats to peace throughout the world.

VI

Twice in this nuclear age the Japanese government has shown that it can develop and carry out a forward-looking national security strategy. In 1957, five years after the end of the Allied occupation, Tokyo reaffirmed its commitment to the American alliance and to a slow expansion of its military capabilities. This strategy was designed for the bipolar world of the Cold War. Later, in 1976, Tokyo developed a new plan in response to the East-West détente and the American-Chinese rapprochement. By calling for broader roles for Japan's defense forces—for example the protection of nearby sea-lanes and airspace—this plan also provided the strategic concepts for Japan's military buildup of the 1980s.

These past plans cannot guide Japan's security strategy through the 1990s and into the 21st century. The Japanese government will be forced by its own administrative procedures to develop a new long-term defense plan. The current Midterm Defense Plan, a document that outlines defense budgets and programs for a five-year period, ends within a year. By March 1991 the objectives set down in 1976 will be accomplished, and Tokyo could soon be without an articulated policy for its defense budgets.

The year-to-year decisions in Tokyo on defense spending are normally worked out among the bureaucracies of the Foreign Ministry, the Finance Ministry and the Defense Agency. Within the framework of a broader plan this process has worked effectively. It cannot, however, develop the new grand strategy now called for. It is even doubtful that the task could be handled by Japan's Security Council, chaired by the prime minister and composed of the heads of the government's key departments and agencies. This council would be more likely to review and decide on a draft plan prepared by a high-level ad hoc commission, perhaps with inputs from the Research Committee on Security of the Liberal Democratic Party. The Maekawa commission that charted economic policies in 1986 suggests what an ad hoc group with strong political backing can accomplish. Additionally, given the key

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role of the U.S.-Japanese alliance, consultations between Tokyo and Washington would be essential in shaping Japan's future strategy.

If you do not know where you are sailing, every wind will take you there. Without a long-term strategy the powerful U.S.-Japanese alliance, Japan's own defense effort and, indeed, Japan's direction in the world would be without chart or compass. Instead, domestic politics in Tokyo and Washington would seek to set the course, and political fads and demagogy would fill the agenda. The United States should withdraw all its forces from Japan, some would argue; others would advocate that Japan build nuclear weapons or sell missiles to East and West; still others would insist that America and Japan are destined to become military adversaries. In democratic governance a strategic vacuum invites mischief.

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C. Fred Bergsten

THE WORLD ECONOMY AFTER THE COLD WAR

Three global transformations are well under way as we enter the 1990s. First, the reforms in the Soviet Union and Eastern Europe, if successful, will end the Cold War and most East-West confrontation, and will allow substantial reductions in military arsenals. Second, the salience of security issues will decline sharply; economics will move much closer to the top of the global agenda. The international position of individual countries will derive increasingly from their economic prowess rather than their military capability. The relative power of the United States—and, even more, of the Soviet Union—will fall; Europe's—and, even more, Japan's—will rise. Third, the world economy will complete its evolution from the American-dominated regime of the first postwar generation to a state of U.S.-European-Japanese "tripolarity." An economically united Europe will be the world's largest market and largest trader. Japan is already the world's largest creditor and the leader in many key technologies. Its GNP will exceed three-quarters of America's by the year 2000 at the growth and exchange rates that now seem likely.

International relations will look very different by 2000 as a result of these transformations. The hierarchy of nations will shift considerably. The Big Three of economics will supplant the Big Two of nuclear competition as the powers that will shape much of the 21st century.

II

The United States is the only superpower in both military and economic terms. It alone will remain in the top rank as the nature of world affairs changes. Indeed America may soon be the only military superpower. Such status, however, will be of

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decreased utility as global military tensions are substantially reduced and international competition becomes largely economic.

Moreover the United States is in relative economic decline, caught in a scissors movement between increasing dependence on external economic forces and a shrinking capacity to influence those forces. The share of international trade in the American economy has tripled over the last four decades, and is about as great as in the economies of Japan or of the European Community as a group. The United States has become the world's largest debtor country and will continue to rely on capital inflows of over $100 billion per year to finance its external deficits for the foreseeable future.

By contrast the American share of world output has been halved during the postwar period. America's share of world trade is less than the EC's, and its exports are not much greater than West Germany's alone. The global role of the dollar has fallen steadily as the Deutsche mark and the yen become more widely used in international finance.

In the short to medium term, America's international economic position is likely to decline further. Economic growth is now much more rapid in Asia and Europe, and seems likely to continue there at four percent a year or so through most of the next decade, compared to an annual growth rate of between two and two-and-a-half percent in the United States. Productivity increases in Japan and many other Asian countries are considerably higher than in America. Europe is buoyed both by the onset of economic unification in the West (almost certain to go beyond "completion of the internal market" to an Economic and Monetary Union, or EMU) and by economic revival in Eastern Europe. By 2000, the Big Three economies will be more alike than different on most key counts: levels of GNP and external trade, and degree of dependence on international trade and financial flows.

A central question for the world of the 1990s and beyond is whether the new international framework will produce conflict over economic issues or a healthy combination of competition and cooperation. History suggests that there is considerable risk of conflict, which may even spill over from the economic sphere to create or intensify political rivalries. Such a pattern contributed to the breakdown of global order prior to 1914 and again in the interwar period. Now is the time to create a global framework to avoid such tensions in the future.

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III

The world must adjust to this fundamental shift in economic relationships among its major countries as security arrangements change. Ironically, the end of the Cold War could sharply heighten the prospect of a trade war. Throughout the postwar period, the overriding security imperative blunted trans-Atlantic and trans-Pacific economic disputes. The United States and its allies, particularly West Germany, frequently made economic concessions to avoid jeopardizing their global security structures. Cold War politics in fact sheltered the economic recoveries of Europe and Japan, and America's support for them. The United States seldom employed its security leverage directly in pursuit of its economic goals; indeed, security and economic issues remained largely compartmentalized in all of the industrial democracies.

Removal of the "security blanket" could erode this separation. Indeed the United States and others could be tempted to use security issues to seek economic advantage. Such a policy would make it considerably harder to maintain cooperation in both the economic and security dimensions. At the same time, since East-West confrontation has provided the rationale for much of America's international engagement throughout the postwar period, ending the Cold War may suggest to some Americans that the country should largely withdraw from such engagement, including in the economic domain.

In short there is an intimate interaction between the basic international political and economic transformations: removal of the security blanket increases the risk of economic conflict, which could erode security ties. The ultimate paradox of the twentieth century would be a realization of the Marxist prophecy of an inevitable clash among the capitalist nations just as the political conflict spurred by Marxist ideology is waning. The "end of history" might not be so dull after all.

This risk of economic conflict is already acute. Japanese politician Shintaro Ishihara has predicted that "the 21st century will be a century of economic warfare." Such conflict is most likely to surface between the United States and Japan.

Japan's position is clearly changing. Its global current-account surplus fell from $87 billion in 1987 to $57 billion in 1989, a figure representing less than two percent of its GNP. The growth of Japan's imports from the United States during the same period was six times greater than the growth of its

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exports to the United States. Manufactured goods now comprise more than half of total Japanese imports. Japan has displayed a willingness to continue financing a large portion of America's deficits, even when the dollar was falling steadily during 1985–87, and to contribute substantially to global funding needs elsewhere (Third World debtors, foreign aid recipients, even Eastern Europe). The image of an omnipotent "Japan, Inc." was eroded considerably in early 1990 by the sharp decline of Tokyo's stock market and the yen, and the apparent inability of the Japanese authorities to stop it.

Yet American frustration with Japan remains high. Japan's bilateral trade surplus with the United States remains large, and may soon start rising again because of the weakening of the yen over the past two years and slower Japanese growth. There remains much exasperation over the Japanese market's seeming impenetrability to many imports and most foreign direct investment. A major concern is Japan's concentrated pursuit of superiority in a wide range of strategic high-technology industries, including many in which the United States retains a substantial competitive advantage.

The debate has taken an ominous new direction in both countries. In America, many who consider themselves internationalists—including many mainstream economists—have come to agree that Japan is "different" and should be treated differently. The latest negotiating effort between the two countries, the Structural Impediments Initiative, addressed some of these differences, but it is unlikely to produce rapid results. If it does not, this will strengthen the view that a new strategy is required.

Attitudes are changing in Japan as well. Dismay bordering on disdain is coming to dominate Japanese reactions to America's continued failure to correct its budget and trade deficits, raise the national savings level, improve the education system and boost competitiveness at the company level. At the same time, the fragility of Japan's political system and a redirection of its policies to improve domestic living standards provide powerful pressures for turning inward. Hence Japan may not accept another round of "bashing" from America.

With respect to Europe, fears are widespread that a truly united continent will see itself as so self-sufficient, and be so preoccupied by regional developments, that it will have little interest in promoting global economic cooperation. Indeed the European Commission's own study of the unification of

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the European market predicts that imports from outside the community will decline in almost every sector as a result of the removal of remaining trade barriers.[1] Blueprints for EMU suggested by the European Commission and by Bundesbank President Karl Otto Pöhl refer to the outside world in only the most cursory fashion.[2] These concerns are heightened by the prospect of a broadening of Europe's economic union to embrace Eastern Europe, which will undoubtedly seek extensive preferential access to the West European market and thus further inhibit liberalization of the EC's global policy.

One motive for European unity is restoration of global leadership for the continent, to reclaim the limelight enjoyed by virtually all of its member countries during earlier periods of history. In a world dominated by economic issues, the quest for economic leadership could be a major driving force.

This drive could be healthy if, supported (or led) by convergent policies in the United States and Japan, it could propel Europe toward a cooperative leadership position in the global economic structure. But Europe could also swing in a confrontational direction, as it has with its current policies on agriculture and aircraft. The West German model of close ties between banks and industries, sometimes with government support, is an approach that could arouse foreign ire. France's historical mercantilism is clearly still alive, as demonstrated by its repeated efforts to hold Japanese competition at bay. The involvement of East European countries could add to *dirigiste* thinking in the EC. If market-oriented Great Britain were to opt out of the EC during this critical transition period, the risk of confrontation would be enhanced.

Finally, America's confidence in its international economic position has been shaken. Trade "hawks" have argued, with some success, that the reduction in the security imperative now opens the way for unilateral actions to promote U.S. trade interests. And it is true that the United States can now afford to be less solicitous of its allies—American leverage is enhanced, to an extent, by the declining need to place overriding priority on political cohesion and thus to mute its economic demands.

[1] See Commission of the European Communities, "The Economics of 1992," *European Economy*, March 1988, Table A-5, pp. 180–81.

[2] See *Report on Economic and Monetary Union in the European Community*, prepared by the Committee for the Study of Economic and Monetary Union, Commission of the European Communities, April 12, 1989; also see "Basic Features of a European Monetary Order," a lecture presented by Karl Otto Pöhl, Paris, Jan. 16, 1990.

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U.S.-Japanese economic tension has already intensified, and U.S.-European economic confrontation could erupt as well. Any significant downturn of the U.S. economy could trigger an outbreak of protectionism. Renewed growth in the external deficit could discredit the strategy, crafted in 1985–87 by then Secretary of the Treasury James Baker and the other finance ministers of the Group of Seven leading industrial nations, to respond to trade pressures primarily through currency changes and macroeconomic policy cooperation—particularly since such cooperation has already virtually disappeared. A new financial crisis or failure of the several ongoing trade negotiations, bilateral and multilateral, would intensify the tendency to "blame the foreigners."

IV

How might such economic conflict evolve in the 1990s and beyond in a world dominated by nonmilitary concerns and three great economic powers? One possibility is the emergence of blocs, each centered on one of the Big Three. There are widespread perceptions that the world is already headed in this direction. An economic bloc already exists in Europe and will clearly broaden (to include more countries) and deepen (to encompass more functions) over the coming decade.

At the moment, however, the development of blocs in Asia or the Americas seems unlikely. Asian trade is split in three directions: within the region, with the western hemisphere, and with Europe and the Middle East. Most Asian countries thus focus primarily on expanding multilateralism and their global relationships. Annual income disparities within the region are huge, ranging from over $20,000 per capita in Japan, through South Korea and Taiwan at about one-fourth that level, to Southeast Asia at much less and China at a few hundred dollars; hence meaningful economic integration is virtually impossible. Politically, no country in the region wants to enter a bloc led by Japan unless all other avenues are effectively closed.

Similar considerations pervade the Americas—except perhaps for Canada and Mexico, because they depend so heavily on trade with the United States. The rest of Latin America has diversified trade, a far different standard of living and a historical antipathy to entangling ties with the "Colossus of the North." Moreover, nearly every country in the hemisphere is a debtor and needs financial help from the rest of the world.

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Closer consultative arrangements among the Americas might be desirable, but an economically significant bloc is no more likely than in Asia, barring a substantial breakdown at the global level.

However, to head off eventual self-fulfillment of the prophecies that trading blocs will develop, it will be essential to reinvigorate global economic cooperation and its institutions. This is one key reason, encompassing both economics and politics, to place a high priority on achieving such cooperation. Another reason is to provide time for Europe to achieve its ultimate aspiration of political union, which would render concerns over that "bloc" as obsolete as concerns about preferential treatment within the United States of America.

The second question affecting potential economic conflict is how each of the Big Three would relate to the others. At present the economic powers frequently find themselves aligned with different partners on different issues: America and Europe seek to open Japan's markets for manufactured goods; America and Japan push Europe to avoid any new discrimination against outsiders; Europe and Japan criticize the United States on its budget deficit and trade unilateralism. Shifting coalitions generally provide a healthy basis for systemic stability, if they occur within a framework of agreed international rules and institutional arrangements.

Historian Robert Gilpin notes, however, that "almost all [students of international relations] agree that a tripolar system is the most unstable configuration."[3] History and game theory both suggest a strong tendency for each of the parties in such an arrangement to fear that the other two will line up against it permanently, leading each to adopt excessive policies. Given the inevitable self-perception of vulnerability on the part of each of the three parties, two will, in fact, tend to ally against the third under conditions of rough tripolar equality—possibly to create their own "bi-gemonic" dominance.

In the United States, there is a widespread view that conflict among the Big Three would evolve into an alliance between America and Europe against Japan. Japan would be viewed as an outlier on both trade and investment issues, and thus a target for the other industrial, and perhaps many developing,

[3] *War and Change in World Politics*, Cambridge: Cambridge University Press, 1981, p. 235.

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countries. Racial overtones would be widely perceived even if unintended.

A second possibility is that the United States and Japan would band together against a united Europe. If Europe is the only true bloc, and thereby becomes the world's largest and most powerful economic entity, the other global actors may need to coalesce against it for traditional balance-of-power reasons. Such an outcome would be much more likely if Europe were to turn inward and to discriminate overtly against outsiders.

Americans need to be aware, however, of a very plausible third possibility: a European-Japanese nexus. These regions are likely to enjoy higher growth rates than America during the coming critical transitional period—perhaps by a substantial margin. Their economic policies, especially toward international issues, have tended to be more stable and predictable. They will thus offer attractive markets and business partners for interpenetration, via both trade and investment, as reflected in the recent linkup between Mitsubishi and Daimler-Benz to conduct joint aerospace research and possibly cooperate in automobile production.

Perhaps most important, doubt about America's future dynamism is widespread in Europe and Japan (and other parts of Asia). Europeans and Japanese may come to feel that the United States will reform its domestic policies only if they join together to provide external pressure to do so. Any major protectionist steps by the United States would feed these doubts and drive the two together. Helmut Schmidt and Valéry Giscard d'Estaing created the European Monetary System in the late 1970s partly as a buffer against economic instability emanating from America. Similar linkups between Asia and Europe are clearly possible in the 1990s and beyond.

The emergence of any of these possibilities as permanent configurations would be extremely destabilizing for global politics as well as economic affairs. The region targeted by such an "alliance" would almost certainly turn inward as the external pressures strengthened domestic forces already seeking such a course: protectionists in America, regionalists in Europe, traditionalists in Japan. The target area would probably seek to form (or expand) its bloc of nearby supporters, and the other areas would retaliate in kind. All economies would suffer, and there would be a genuine risk of trade warfare.

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V

There is good news, however. The Big Three enter the new era as political allies with strong security ties and democratic governments. Their cooperation over the past four decades, while uneven, has largely avoided major crises and has proven superior to all historical antecedents. The extensive interpenetration of companies and financial markets throughout the three regions militates against a breakdown of cooperation. Thus there is hope that a new era of interaction between economics and security could be very different from the pre-1914 and interwar periods, when the struggle for world economic leadership coincided with political hostility.

The bad news is that the world economy has enjoyed prolonged periods of stable prosperity only when under the hegemonic leadership of a single country—the United Kingdom in the latter part of the nineteenth century and the United States in the first postwar generation.[4] It has never experienced successful "management by committee."

But there will be no new hegemon to supplant the United States. Neither Japan nor even a fully united Europe could achieve anything like the global dominance, even in the economic sphere alone, that is needed to support such a role. Hence effective international economic cooperation will depend on the achievement of joint leadership by the Big Three economic superpowers, just as nuclear deterrence was maintained by the Big Two military superpowers. There is simply no alternative.

The postwar economic powers have proved exceedingly adept at responding to crises with sufficient skill to avoid lasting economic effects. But there have been a number of close calls: American leadership nearly faltered in responding to the Mexican debt crisis in 1982, enormous protectionist momentum was permitted to build in the United States before dollar adjustment and credible trade policies were launched in 1985, and extensive financial disruption resulted from the plunge of the dollar in 1987. Moreover the movements of globalized financial markets could now overwhelm the efforts of individual governments, or even several countries acting in concert. New sources of conflict among nations could well

[4] See Charles P. Kindleberger, *The World in Depression, 1929–1939,* Berkeley: University of California Press, 1973.

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result from contemporary changes in global politics and economic capabilities.

The system no longer provides strong defenses against such threats. As a result, currency misalignments and instability have become endemic; large trade imbalances persist; protectionism and neomercantilism have intensified; Third World debt remains unresolved; policy cooperation is ad hoc and fragile.

To restore effective systemic defenses, America, Japan and a uniting Europe must join to provide collective leadership. The Big Three need to start acting as an informal steering committee for the world economy—reinvigorating the existing institutional structures, creating new ones and initiating concrete steps to utilize them consistently.

Such leadership must rest on firm internal foundations in each area. The United States has to make the difficult adjustment from hegemon to partner. It can do so only by restoring its international competitive economic position and, at a minimum, halting a further buildup of foreign debt. These changes would be even more essential for the United States if cooperative global management should turn out to be unattainable. In that case it would become necessary to defend the country's interests aggressively in a world economy characterized by widespread confrontation and even hostility.

The United States will have to increase its government spending in some areas directly related to the country's international competitiveness. Examples include expenditures on education, research and development, export finance and direct help for key industries. It is eminently logical to use part of the "peace dividend" that may result from lessened defense outlays to finance these expenditures, since they will be aimed at achieving many of the same national goals—preserving America's world role and national security—as the military programs that will be cut.

Elimination of the overall budget deficit, however, remains crucial for foreign policy as well as economic reasons. The budget deficit is the chief cause of the trade deficit, which in turn requires the United States to borrow huge sums abroad and thus adds greatly to its external dependence and its insecurity. In addition, as long as the United States drains resources from the rest of the world, it cannot be a net financial contributor to other countries. Indeed the United States competes with others for scarce world savings. Hence

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America's greatest contribution to recovery in Eastern Europe or the Third World would be correction of its own fiscal position.

President Bush got it backward in his inaugural address when he asserted that "the United States has the will but not the wallet." The reality is that this country has plenty of wallet but a deficiency of will. The United States is both the richest nation in the world and the least taxed. If the peace dividend and other expenditure cuts do not finance the needs of the coming years, revenue increases will be essential.

Changes of this nature call for fundamental alterations in American attitudes. The traditional mind-set in this country, derived from nearly a century of global dominance and a virtually self-sufficient continental economy, has been to adopt whatever public policies and corporate strategies fit the domestic environment. The rest of the world was largely ignored in the formation of policy.

There are a number of stunning recent examples of this abiding phenomenon. The Tax Reform Act of 1986 ignored the international position of the United States and probably made it harder for American firms to compete abroad. Budget policy, as just noted, remains the underlying cause of the huge buildup of foreign debt. Foreign exchange intervention policy ignored the decimation of much of American industry and agriculture caused by the soaring dollar in the first half of the 1980s. The Export-Import Bank, America's only effective governmental tool for promoting overseas sales, ran out of money in 1988 when such sales were finally booming.

Americans will have to start viewing themselves as part of an integrated global economy, and pushing their government and firms to behave accordingly, if they are to prosper and remain world leaders into the 21st century.[5]

Japan faces the opposite problem. As in the United States, a small minority recognizes the basic change in the country's international position and seeks new policies. (Such arguments inspired the Maekawa Commission reports, for example.) For Japan, this requires adopting the mind-set of a huge creditor country that is confident of its ability to compete throughout the world. It means dropping Japan's perception of itself as a

[5] A detailed strategy of "competitive interdependence" for the United States is presented in C. Fred Bergsten, *America in the World Economy: A Strategy for the 1990s*, Washington: Institute for International Economics, November 1988.

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vulnerable island nation that must "export or die" and protect its own market and firms against "powerful outsiders." Indeed, participation as an equal partner in effective tripolar management of the world economy could provide a new rationale for Japanese foreign policy and might have considerable appeal to Japan, as it would play to the country's obvious comparative advantage.

Japan has already begun to change impressively. But much more is needed quickly: further increases in imports of both manufactured (including high-technology) products and agricultural goods, a conspicuous expansion in the presence of foreign investors, eschewal of infant industry protection and industrial policies, additional reductions in its trade surpluses with the rest of the world and especially with the United States. Japan has repeatedly demonstrated an enormous aptitude for reform, as in its responses to the two oil shocks and the doubling of the yen in 1985–87. It can clearly do so again if convinced that such change is a national imperative, although the historical record suggests that continued outside pressure will be needed to galvanize such a strategy.

Europe faces a distinctly different problem: maintaining an outward, global orientation and beginning to operate as a unit in the world arena while completing the enormously complicated task of forging a truly unified regional economy. The key is probably the extent and speed of unification itself. Smooth completion of the process by the mid-1990s, for example, should generate enormous self-confidence in Europe and an appetite for moving simultaneously on global reforms. By contrast, internal divisions and failures could sap both the capacity and will to look outward.

Fortunately German unification seems likely to speed the process. It will intensify the desire of France, most of the other countries, and Germany itself to achieve Thomas Mann's call for "Europeanization of Germany instead of Germanization of Europe" through full economic integration of the continent. The inevitable engagement of the East Europeans may create a two-speed Europe for a while, but the previous EC membership of several less industrialized countries was already pushing in that direction.

The substantive key is EMU, which now seems likely by mid-decade. The continental countries outside Germany have made a fundamental decision to link their currencies to the Deutsche mark, and need EMU to provide political legitimacy

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for a European zone of monetary stability. Germany has lost the ability to modify its exchange rate vis-à-vis the rest of Europe, since the other countries follow virtually all of its currency and monetary moves, and so sees a compelling need to complete the transition to a full monetary union that will produce a "Germanization of European money rather than a Europeanization of German money." The unification of Europe for trade policy purposes made possible the liberalizing leaps of the Kennedy and Tokyo rounds of the General Agreement on Tariffs and Trade (GATT); EMU should make possible similar leaps in global monetary affairs.

Some observers, including Europeans who want an outward-oriented continent, argue that new global economic initiatives are premature until Europe has completed its regional structure. But the EC seems able to negotiate the Uruguay Round in the GATT while continuing to complete its internal market. It is imperative that EMU be made compatible with stable global monetary arrangements—and thus there is a strong case for devising them in parallel. It would in fact be dangerous to wait until Europe is fully organized to work out the needed international reforms, both because the delay itself could produce serious conflict and because some of the most desirable avenues for global progress could be foreclosed.

If the Europeans were unwilling to negotiate on this timetable or if a unified Europe resisted joining the global initiatives suggested here, perhaps to seek economic hegemony on its own, the United States and Japan might have to proceed bilaterally for a time. America and Japan already took such a step in creating the initial currency "reference ranges" with the Baker-Miyazawa agreement of October 1986, which was subsequently generalized at the Louvre Accord in February 1987. The U.S.-Japanese Structural Impediments Initiative probably heralds similar talks at the global level, as already suggested in several communiqués of the Group of Seven.

But an American-Japanese Group of Two would be decidedly inferior to a Group of Three that included Europe. It could create negative reactions in Europe and feed perceptions that a U.S.-Japanese bloc was being formed. On the other hand, as with monetary arrangements in 1986–87, U.S.-Japanese bilateralism could be a useful tool to increase the proclivity of the Europeans to cooperate, by indicating that the other economic superpowers would be willing and able to proceed without them.

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VI

The overall result of these internal changes would be a considerably different Big Three: a newly competitive America, a newly internationalized Japan, and an economically integrated Europe.

Absent such internal developments, each area will lack the internal self-confidence or the international respect needed to play its part in global leadership. But achievement of these crucial changes in each of the Big Three can be promoted, perhaps decisively, by the adoption of new international policy commitments and specific steps to implement them.

First, political leaders of the Big Three need to recognize publicly the dramatic changes in the global environment and declare their intention to construct and maintain a stable international economic order based on shared leadership and mutual responsibility. Such a commitment should be enunciated at the Houston summit this July, the first of the 1990s, to set the essential political framework and begin to define the needed initiatives.

Such a commitment would obviously be credible only if it encompassed effective follow-through steps to translate principle into practice. Money and trade would be the most essential components of such a package. The Big Three should start the process by launching the construction of a new international monetary regime to replace the Bretton Woods system that collapsed in 1971–73. No system worthy of the name has existed since that time, with enormous costs for the world economy. But stable and effective monetary arrangements are as crucial to the world economy as national monetary stability is key to each individual country.

The preferred course is to build in evolutionary fashion on the "reference ranges," the "economic indicators" to guide policy cooperation that were agreed upon at the Tokyo summit in 1986, and the European Monetary System itself. The key countries would set zones for their currencies that, given reasonable consistency of domestic policies, would avoid large current account imbalances (and thus limit both financial risks and protectionist pressures). The zones would be shifted in response to differences in national inflation rates and to major changes in the world economic environment, such as large jumps in oil prices, but the countries would otherwise pledge to adopt new policies as needed to preserve

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them. Over time, the zones could be narrowed if experience with the system suggested the feasibility of doing so, perhaps leading ultimately to a regime similar to Bretton Woods or the EMS.

The details would of course take time to develop. In any event, global negotiation should proceed in parallel with the European regional effort. Moreover the new regime should be implemented only when actions have been taken that promise correction of today's continuing trade imbalances.

On trade, the immediate key is a successful completion of the Uruguay Round that would convincingly resume market liberalization and refurbish the credibility of the GATT. Realization of the Uruguay Round's full agenda would move significantly in these directions by expanding international disciplines on agriculture and safeguard measures, broadening the rules to encompass services and intellectual property rights, reintegrating textile trade into the GATT, and improving the process for settling disputes. A strong push from the Houston summit will be essential to achieve these results, just as the summits of the late 1970s were decisive in galvanizing a successful conclusion to the Tokyo Round.

Much more is needed, however, to make the needed leap in the effectiveness of global trade arrangements. The Big Three should thus push for the implementation of four sweeping new reforms by 2000: (1) elimination of all tariffs on all industrial trade; (2) a complete ban on all quantitative trade barriers including "voluntary export restraint agreements"; (3) a sharp expansion in the independence and mandate given the GATT to police the system; and (4) creation of an instrument similar to the GATT for investment issues to provide a stable framework for international corporate activities (and help resist protectionist pressures in this area, notably in the United States).[6] An even bolder approach would be agreement to finally establish the "International Trade Organization," to cover all these issues and many more, that was originally intended to be the comprehensive "third leg" of the postwar economic system (along with the International Monetary Fund and World Bank).

These proposals should be taken up promptly after the

[6] A Free Trade and Investment Area among OECD countries has been proposed by Gary Clyde Hufbauer in "Beyond GATT," *Foreign Policy*, Winter 1989–90. A similar GATT-wide structure would be far superior, however, because it would include at least the more advanced developing countries and strengthen (rather than cripple) the GATT as an institution.

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conclusion of the Uruguay Round. The so-called bicycle theory posits that trade policy either moves steadily toward liberalization or topples in the face of protectionist pressures. Launching a new negotiation toward such major steps would keep the "bicycle" moving forward without delay, avoiding the post-negotiation malaise that permitted substantial protectionist pressures to flourish after the conclusion of both the Kennedy and Tokyo rounds. It would also help ensure the outward orientation of the EC by maintaining its engagement in multilateral trade bargaining through to the culmination of its new regional compact.

VII

Initiatives by the Big Three to reform and dramatically improve the international monetary and trade regimes along these lines, as well as to make substantial changes in their internal economic structures, would clearly mark the beginning of a new era of collective leadership of the world economy. It would indicate that each area was fully aware of the new global environment, in both political and economic terms. It would show that each could adopt a new mind-set: for America, a willingness to share power with others; for Japan, an acceptance of international responsibility; for Europe, a willingness to act jointly on global economic and monetary, as well as trade, policy.

Thus the Big Three could assert control of issues that will inexorably emerge as central to world events if the Cold War does in fact dissipate. They would preempt the risk that removal of the security blanket and economic rivalry itself would generate severe international conflict. They would create an orderly framework for managing some of the elements that will dominate relations among them in the years ahead.

The continuing erosion of the present economic regime, and the failures of recent cooperative efforts, do not bode particularly well for the ambitious reforms proposed here. However, the history of international economic management is replete with cycles of backsliding that eventually grew so serious that the political leadership of key countries was forced to undertake large-scale initiatives to get back on track.

For America, there are important strategic reasons to launch new initiatives. The United States still retains enormous economic power. It is enjoying an extended period of growth, job

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creation and deregulation that is widely admired—and financed—by the rest of the world. America's security preeminence will remain vital through the East-West transition period, especially in Asia (including Japan), where the security situation has not changed nearly as much as in Europe. The United States has much closer relations with both Europe and Japan than either has with the other, enhancing its ability to shape the evolution to a new world economic order.

The value of America's bargaining assets, however, is likely to fall further in the years ahead. It thus behooves the United States to move sooner rather than later to further construction of a new system that will promote global economic and political stability, as well as its own national interests. Initiatives to do so would indicate that the United States had both the intellectual capacity and the political will to try to shape the historical transformations now under way and is ready to assert continuing international leadership in the post-Cold War era.

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Susan Kaufman Purcell

CUBA'S CLOUDY FUTURE

Shortly after the overthrow of Nicolae Ceauşescu in December 1989, bumper stickers promising "Christmas in Havana" appeared in the streets of Miami, home of the largest Cuban community outside of Cuba. The slogan reflected the exiles' conviction that Cuba, whose economy is almost totally dependent on aid from what was the Soviet bloc, would soon collapse in the aftermath of democratic revolutions in Eastern Europe and the economic and political reforms in the Soviet Union.

Fidel Castro may still be in power by next Christmas, but it is doubtful that he will be able to withstand indefinitely the pressures that are steadily building on the island. The collapse of communism in Eastern Europe and its disintegration in the Soviet Union present Castro with his most serious threat to date. The threat is political and ideological as well as economic. Only yesterday history was supposedly on the side of socialism, which placed Castro among the world's winners. Today with democracy triumphant the Cuban leader has suddenly become a "fossil dictator."[1]

Even before the events of last winter, signs of decay within the Cuban system were apparent. Growing evidence of the Cuban government's corruption and involvement in drug trafficking, combined with the Moscow-style show trial and execution of the popular general and war hero Arnaldo Ochoa Sánchez, indicated that the Cuban revolution and its leader had begun to lose their moral authority. The February 1990 elections in Nicaragua, which produced the stunning defeat of the Sandinista government, focused attention on the fact that the Cuban people had never had an opportunity to vote for or against Fidel Castro during his 31-year rule. Following hard upon the U.S. invasion of Panama, which removed General Manuel Antonio Noriega from power, the Nicaraguan elections also left the Cuban leader bereft of allies in the region.

[1] *The New York Times*, Dec. 11, 1989.

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Confronted with these international and domestic developments, Castro reiterated his commitment to socialism and began elaborating contingency plans for coping with expected economic disruptions and political unrest. His defiant vow of "socialism or death" may reflect his view of the only alternatives open to him. Yet Castro has abruptly shifted course before. From the late 1970s into the early 1980s he experimented with market mechanisms, and in the late 1980s with limited political pluralism, only to subsequently reassert his control. If Castro were to introduce such reforms again as a way of diffusing growing pressures, it is not clear that the genie of political and economic liberalization could again be so easily put back into the bottle.

II

It is difficult to overstate the importance of Soviet aid to Cuba. A small island of over ten million people, it receives between three billion dollars (according to Soviet sources) and five to six billion dollars (according to U.S. sources) of Soviet economic aid annually. Military aid is estimated at $1.2 billion annually. Economic and military aid combined account for up to 19–21 percent of Cuba's GDP.

Much of the aid takes the form of trade subsidies. Cuba imports nearly all of its petroleum from the Soviet Union at below world market prices. Since the late 1970s Moscow has allowed Havana to import more oil than it consumes and to sell the excess on the world market at commercial rates. As a result petroleum sales have become the single most important source of foreign exchange for Cuba. The Soviet Union also buys sugar from Cuba at prices that have averaged between three and five times the world market price.

Cuba's dependence on subsidized trade with the Soviet Union has grown since 1981, when 60 percent of its trade was with Moscow; today that share is nearly 75 percent. Almost 90 percent of Cuba's trade is with socialist countries, an increase from 74 percent nine years ago.[2]

The increased trade with the Soviet Union and Eastern Europe reflects in part Cuba's inability to service its $6.8-billion debt in convertible currencies to the Western governments since July 1986. Unable to obtain credits to purchase goods in Western markets, Cuba was obliged to increase its

[2] *Financial Times*, Nov. 10, 1989, p. 7.

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trade with the nonmarket economies of the Soviet Union and Eastern Europe, with which Havana could barter rather than spend scarce foreign exchange. Cuba remains a monoculture economy whose main export is sugar. Its economic productivity is more or less what it was in 1958, during the last days of the Batista dictatorship, when Cuba had three million fewer people than today. Without Soviet aid, it is also unlikely that Havana would have been able to withstand the U.S. economic embargo, which dates from 1961.

The Soviet Union has bankrolled the Cuban Revolution over the years, despite periods of open disagreement between Moscow and Havana, because Cuba has been extremely useful to the Soviets. It is an important outpost and ideological ally in the U.S. sphere of influence. It serves as a base for Soviet submarines and reconnaissance aircraft and greatly enhances Soviet intelligence-gathering capabilities along the Atlantic coasts of North and South America. Cuba has also advanced Soviet interests in the Third World by engaging in behavior that would be unacceptable if done directly by the Soviets (e.g., training and arming Marxist guerrillas and deploying tens of thousands of troops to prop up Third World regimes friendly to the Soviet Union, such as those of Angola and Ethiopia). Diplomatically Cuba has increased Soviet influence and contacts with developing countries in a variety of international forums.

The ascent of Mikhail Gorbachev to power in the Soviet Union and his policies of glasnost and perestroika plunged Moscow and Havana into another period of public conflict. Castro has made no secret of his disapproval of Gorbachev's policies or his fears that they will destroy the Soviet Union's ability to maintain its status as a superpower. Instead of following Moscow's lead, Castro launched in 1986 a so-called rectification campaign, whose declared purpose was to eliminate all traces of liberal economics and to reaffirm and consolidate further Cuba's socialist command economy.

This time, however, the past may not be a valid guide to the future of Soviet policy toward Cuba. First, as the Cold War winds down, Havana's value to Moscow has declined. Technological advances have reduced Cuba's importance for intelligence gathering and even as a military base. In addition, because Gorbachev's policies no longer involve active support of "wars of national liberation" in the Third World, Cuba's continued support of Marxist guerrilla groups in Central

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America and elsewhere directly challenges Gorbachev and undermines his efforts to change the Soviet Union's international image. Finally Cuba's revolutionary foreign policy jeopardizes the growing rapprochement between the Soviet Union and the United States, since Washington holds Moscow accountable for Havana's behavior. President Bush made this clear during the Malta summit, and Secretary of State James Baker did the same, both during his unprecedented appearance before the new Soviet parliament and in his speech to the Organization of American States in late 1989.

Internal developments in the Soviet Union also are contributing to Gorbachev's reduced tolerance for Soviet-Cuban conflict. Glasnost and perestroika have produced greater public scrutiny over foreign policy by the Soviet press and the new parliament. The result has been an unprecedented questioning of Moscow's traditional foreign policy commitments and a growing unwillingness to sustain the costs of an empire when the Soviet economy is experiencing severe problems.

The pages of *Moscow News* have served as a forum for the growing debate over Soviet foreign policy. Writing in 1989, Andrei Kortunov of the Institute of the U.S.A. and Canada stated that Moscow had given more than 25 percent of its foreign aid to Cuba in 1988–89. He noted that the Soviet Union's total foreign aid budget was almost six times greater, on a per capita basis, than that of the United States and asked why aid was being given to Third World countries that are dictatorships and engage in "adventurist" foreign policies. *Moscow News* also quoted a Moscow deputy as saying, "We can't tolerate that sort of situation when our own people have to get ration cards for soap and sugar and can't find a decent cut of meat in the stores."

More recently, opposition members of the Soviet parliament put a "deputies' question" to Nikolai Ryzhkov, the Soviet prime minister. "Before the congress decides on the proposed government measures to improve the economy," they said, "we ask you to tell the deputies the scale of foreign states' debt to the Soviet Union and its size, state by state, as well as the terms of repayment procedure." In response, the government newspaper *Izvestiya* published an article by Ryzhkov with figures on debts owed to Moscow by foreign borrowers. Cuba was at the top of the list, with a cumulative debt of 15 billion rubles, or more than $24 billion at the official exchange rate of

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one ruble for $1.60. Cuba's debt was more than double that of the second-place debtor, Vietnam.[3]

Despite increasing debate within the Soviet Union, there has not yet been a significant reduction in Soviet aid to Cuba. Instead a new one-year Soviet-Cuban trade agreement, signed in April 1990, reportedly increases trade and technical assistance by 8.7 percent over 1989. Military aid decreased from 1988 to 1989, but only to $1.2 billion from $1.5 billion. On the other hand, Moscow delivered six new MiG-29s to Havana in 1989 to replace Cuba's aging MiG-23s.

Although Soviet aid has not yet decreased, the odds are good that it will be cut significantly in the coming years. Soviet-Cuban economic relations are still governed by the 1986–90 Soviet Five-Year Plan. The unprecedented public discussion of the Soviet Union's foreign aid policy, particularly with reference to Cuba, must be evaluated in this context. The new five-year plan is also being negotiated in the context of the continuing deterioration of the Soviet economy, which may account for recent reports that Moscow wants to sign an agreement for only two years instead of five.

In the meantime Soviet-Cuban trade has become increasingly unpredictable since 1988 when, as part of perestroika, Soviet enterprises obtained the right to trade directly on foreign markets. This has meant that Cuba has had to deal directly with individual Soviet enterprises, which prefer to sell to customers who pay in hard currency.

The impact of this situation on Cuba was clearly visible by the summer of 1989, when a delay in a shipment of Soviet wheat and flour caused pizzerias and bakeries in Havana to reduce their hours or close their shops temporarily. Subsequently ships carrying wheat and flour scheduled to arrive in Cuba in December 1989 were unable to complete their deliveries until January 22, 1990. This relatively short delay forced the Cuban government to buy 20,000 tons of wheat from Western countries for hard currency. The wheat shortage immediately affected egg production and caused the price of eggs to double. It also caused a reduction in daily bread rations outside the capital and price increases in Havana for baked goods.

The fact that a three-week delay in the arrival of wheat and flour was so quickly translated into widespread shortages, rationing and price increases highlights Cuba's extreme vulnerability to

[3] *Izvestiya*, March 2, 1990, p. 3.

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the ripple effects of perestroika. Any fundamental renegotiation of the terms of trade between Moscow and Havana in the next five-year plan that adjusts the prices of Soviet oil and Cuban sugar to their real market value, as Soviet officials have proposed, would clearly create severe economic problems for Cuba.

III

Although Cuba's trade with Eastern Europe accounts for only about 15 percent of the island's trade with socialist countries, the collapse of communism in Eastern Europe will ultimately prove more economically destabilizing to Cuba in the short run than the implications of glasnost and perestroika in the Soviet Union. Eastern Europe has traditionally supplied Cuba with the technology, manufactured goods and spare parts that the Soviet Union has been unable to provide. These include electric generators and centrifuges for Cuba's sugar mills, as well as trucks, buses and other vehicles for Cuba's transportation system.

Unlike the Soviet Union, which has never known capitalism and continues to shrink from a total commitment to a market economy, Eastern Europe is racing to recapture its capitalistic past. In the process, it is rejecting barter agreements in favor of transactions in hard currency wherever its products are internationally competitive. Also, in contrast to the Soviet Union, the new East European governments feel no gratitude or responsibility toward Cuba.

The impact of Eastern Europe's democratic revolutions is already being felt in Cuba. Factories have closed; transportation and construction, which depend on imports from Eastern Europe, are in decline; workers are having difficulties getting to their jobs and, if and when they arrive, they often remain idle because some crucial input or spare part is unavailable; consumer goods such as toothpaste and razor blades are in short supply, and interminable waits for television sets awarded to model workers have become commonplace. In a recent speech outlining what might lie ahead, Castro acknowledged that an agreement for the 12,000 tons of poultry that Cuba anticipated receiving from Bulgaria had not been signed. The same was true of the agreement with Czechoslovakia on barley, which goes into the production of beer and malt. Castro added that buses and spare parts from Hungary may not arrive and that Cuba could not count on receiving parts for their Czechoslovak thermoelectric plants.

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The collapse of communism in Eastern Europe is also having a political impact on Cuba. In March 1990 the U.N. Commission on Human Rights, meeting in Geneva, voted to ask the Cuban government to comply with its pledge not to detain, repress or otherwise mistreat Cuban human rights activists. The resolution also asked Cuba to provide answers to questions that the delegation had posed during its 1988 visit to the island. The resolution, which Cuba vigorously opposed, was cosponsored by Czechoslovakia and Poland, in their capacity as observers. Voting with the United States in favor of the resolution were Bulgaria and Hungary. Prior to the events of late 1989, Eastern Europe had always voted as a bloc with Cuba on the human rights commission.

Only a decade ago, Castro presided over the so-called nonaligned movement. Now it remains unclear whether the nonaligned movement has a future and whether Cuba will have the votes within the United Nations to continue its anti-imperialist crusade against the United States.

There is also a psychological impact. The rush to democracy and market economies in the old Soviet-bloc countries leaves Cuba almost alone in the world, defending a system that former allies are repudiating. The sense of moral righteousness and the belief that history was on Cuba's side, which bolstered Castro's authoritarian rule through the years, have been undermined. The Cuban leader now has to deal with growing economic problems while armed with a severely diminished reservoir of political legitimacy.

IV

In an effort to undo the political damage wrought by democratic revolutions in Eastern Europe, Castro argued that those events were irrelevant to Cuba. Communism was imposed there by an outside power, he emphasized, while Cuban communism was the result of a popular revolution by the Cuban people. His conclusion: Cubans strongly support their political system and its leader and a vote is not necessary to prove this, since the Cuban people "voted" by revolting against Fulgencio Batista over 31 years ago.

Unfortunately for Castro, the February elections in Nicaragua undermined his argument. Like Castro, the Sandinistas had believed that events in Eastern Europe were irrelevant to Nicaragua. Like Castro, they considered themselves to be highly popular because they had overthrown a hated dictator

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a decade earlier. And like Castro, they minimized the importance of their control over the military, intelligence and the police in accounting for their continued leadership. The Sandinistas' electoral loss to a candidate promising democracy and a market economy undermined Castro's rationale and further weakened his political legitimacy.

The Sandinistas' defeat was Castro's second serious setback in Latin America. In December 1989 General Noriega, who had become the Cuban leader's other close ally in the region, was removed from power by the U.S. invasion of Panama. Noriega's cooperation had helped Castro circumvent the U.S. trade embargo against Cuba by allowing Havana to establish dummy corporations in Panama. Castro, in turn, had authorized the training in Cuba of officers of Noriega's "dignity battalions," the thugs he used to attack the political opposition. In addition, Cuba had made an estimated $70 million over the last five years by selling visas to Cubans wanting to leave the island for Panama. Havana also used Panama City's very liberal banking system to launder money obtained from its involvement in drug trafficking.

Noriega's fall also negatively affected Castro's revolutionary plans for the hemisphere. The Cuban and Panamanian leaders had cooperated in smuggling weapons and ammunition to the Salvadoran guerrillas, principally through Panama's fishing port at Vacamonte, on the Pacific coast.

Castro's isolation in the hemisphere was further compounded by elections in Costa Rica, El Salvador and Honduras, which brought to power conservative presidents. These new presidents made it less likely that Castro would be included in diplomatic efforts to end the war in El Salvador.

V

The new challenges presented by developments abroad worsened the already deteriorating economic situation at home. Between 1986 and 1989 the Cuban economy declined at an annual rate of 0.8 percent. Labor productivity fell by an estimated 2.5 percent during the same period, while the budget deficit increased 4.5 times. The foreign trade deficit exceeded two billion dollars annually, and Cuba's hard currency debt almost doubled to over six billion dollars.[4] The

[4] Carmelo Mesa-Lago, "Countdown in Cuba?" *Hemisfile*, March 1990, p. 6.

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unpaid debt to the Soviet Union increased sixfold,[5] and Cuba's hard currency reserves fell by $9.5 million to $87.9 million in 1989. This represents half the average level of reserves available between 1975 and 1985.[6]

The economic decline can be attributed partially to the fall in oil prices on international markets, which caused Cuba's hard currency earnings from the sale of surplus Soviet oil to decrease from $621 million in 1985 to $189 million in 1988. The 1989 figure is expected to reach almost zero.[7] Contrary to the conventional wisdom, there is no evidence that the decline in Cuba's hard currency earnings from the reexport of Soviet oil was caused by a significant cutback in the supply of that oil.

The other explanation for the economic decline is Castro's rectification campaign. Launched in April 1986 and still in effect, the rectification campaign reversed an experiment with market mechanisms by recentralizing the economy and substituting moral for material incentives. An ideological update of Castro's revolutionary offensive of 1968, the rectification campaign has failed dismally. Productivity has continued to decline as Cubans refuse to work hard to build a better future under socialism that never seems to arrive. Despite the glaring failure of the rectification campaign, however, Castro so far has refused to give even limited economic liberalization another try, claiming it generated a class of high-paid middlemen who exploited the Cuban people by charging exorbitant prices for food and services. What he does not emphasize is that the experiment with market mechanisms led to spectacular increases in agricultural productivity as well as to the creation of a class of Cubans who were less dependent on the government and less subject to its control.

Instead of opening the economy, Castro has responded to the worsening economic situation and the threat of a substantial reduction in Soviet aid by trying to diversify his trading partners. In 1989 he signed trade agreements with North Korea, Albania and China. It is doubtful, however, that those countries will be able to fill the void. Trade with China doubled in 1988, but increased by only 12 percent in 1989. Efforts to increase trade with Japan and Latin America also have not brought good results, since Cuba's lack of hard currency and

[5] *Izvestiya*, March 2, 1990, p. 3.
[6] *Latin American Weekly Report*, Feb. 15, 1990, p. 9.
[7] "Castro's Coming Crisis," *Confidential Foreign Report*, The Economist Newspaper Limited, Dec. 21, 1989, p. 1.

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its monoculture sugar economy make it a relatively unattractive trading partner. By the end of 1988, Japan accounted for only 1.5 percent of Cuba's trade and Latin America for less than two percent. Finally, according to foreign diplomatic sources accredited in Havana, Cuba also tried unsuccessfully to obtain petroleum at preferential prices from the governments of Mexico, Venezuela and Ecuador.

Castro has announced a series of emergency contingency plans to cope with the anticipated accelerated disruption of Cuba's traditional trade relations. In an apocalyptic speech to the National Council of the Federation of University Students in March 1990, the Cuban leader declared that in the coming "special period in a time of peace," production levels will decline because of shortages, and social development projects may have to be temporarily halted. The work week may be reduced from five to three days. Three-fourths of the island's cement factories may have to close, and electricity may have to be rationed. The most serious problem will be energy, given Cuba's dependence on 12,000 tons of oil annually from the Soviet Union. Castro concluded his speech, however, by reiterating his commitment to socialism, since "the end of socialism, the end of the revolution, would be the end of the Cuban nation."

VI

Although signs of Cuba's economic decline have been apparent for some time, the summer of 1989 provided unprecedented evidence of serious political problems as well. General Ochoa, who had led Cuban troops in Angola, was suddenly accused of drug trafficking and corruption. The Stalinesque show trial and subsequent execution of Ochoa reinforced popular suspicions that Ochoa's real crime was his potential for challenging Castro's leadership.[8]

Also accused and executed for drug trafficking was Colonel Antonio de la Guardia, a high-ranking official of the Interior Ministry. His operation had allegedly involved officials of a special department within the ministry, which Castro had created to smuggle goods into Cuba and thereby bypass the U.S. trade embargo. In the aftermath of de la Guardia's execution, José Abrantes Fernández, interior minister and

[8] For a detailed report of the Ochoa affair, see Julia Preston, "The Trial that Shook Cuba," *The New York Review of Books*, Dec. 7, 1989, pp. 24–31.

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third most powerful man in Cuba after Fidel and his brother Raúl, resigned and was subsequently arrested. General Abelardo Colomé Ibarra, who was then put in charge of the Interior Ministry, restructured it by replacing many of its civilian officials with military men.

The "militarization" of the Interior Ministry was not an isolated event. Castro named General Sexto Batista Santana to head the Committees for the Defense of the Revolution in February 1990. Another general, Juan Escalona, was named president of the National Assembly of People's Power, the branch of the Cuban government composed of locally elected (although officially suggested or approved) representatives of the Cuban people.

The increased influence of the military reflects the regime's concern that the still-controllable internal opposition might grow. At least 15 dissident groups exist in Cuba today. They advance a wide variety of agendas, from support for glasnost and perestroika to freedom of religion and human rights. Dissident activity, however, is clandestine and underground, making it difficult to speculate about its strength or future. Castro referred to dissidents in a speech in January 1990, immediately before announcing the appointments of the two generals. He called them "cockroaches who try to create fifth columns at the service of imperialism" and promised that the Cuban people would "crush" them.

Castro had already begun to crack down on human rights groups that he had tolerated briefly during the 1988 visit of a delegation of the U.N. Commission on Human Rights. Following its departure, Cuban human rights leaders were harassed and imprisoned. The March 1990 vote of the U.N. commission, which went against Cuba, was also followed by the arrest of nine members of the Pro-Human Rights Party, who were charged with belonging to a "counterrevolutionary organization."

Individual dissent against the regime and its policies has increased. In a December 1989 speech, the video of which was shown only to communist party militants, Castro spoke of problems in the history, philosophy and arts and literature departments of the National University and acknowledged difficulties with Cuban scholarship students who return to Cuba after studying in the Soviet Union. A journalist was expelled from the newspaper *Juventud Rebelde*, the official organ of the young communist movement, for declaring on a

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Havana radio program that "*Juventud Rebelde* was not representing the views of Cuban youths." A small riot also broke out in a movie theater when a group of Cubans started singing a popular song, "The man is crazy," when Castro appeared on the screen. And in February 1990, during boxing's World Cup in Havana, an individual who shouted, "Down with Castro! Down with the dictatorship of Fidel Castro!" was dragged away by the authorities.

Anticipating that developments in the Soviet Union would encourage opposition to his rule in Cuba, Castro had tried to keep the news of Soviet reforms from the Cuban people, going so far as to ban the distribution in 1988 of the Spanish-language versions of *Moscow News* and *Sputnik*. But the information about the Soviet Union and, subsequently, about Eastern Europe reached Cuba nevertheless, communicated by foreign diplomats in Havana, members of the Cuban-American community in Miami and especially by Radio Martí. As a result, Castro decided to emphasize the *sui generis* nature of Cuban socialism, which supposedly will allow it to survive in a world that has repudiated other forms of socialism.

Castro also is trying to fan the flames of Cuban nationalism in order to divert attention from Cuba's growing crisis. This explains why the United States is once again the target of greater anger, and why Castro has begun to speak as if a U.S. invasion of Cuba were imminent. "Destiny assigns the role of one day being among the last defenders of socialism," he said in a December 1989 speech. "In a world in which the Yankee empire was able to make a reality of Hitler's dreams of dominating the world," he continued, "we would know how to defend this bastion until the last days of blood. . . . Socialism or death! Fatherland or death! We will win!"

VII

Despite Fidel Castro's defiant rhetoric, his options for surmounting the growing crisis continue to narrow. Ad hoc adjustments to a deteriorating economic situation, combined with the selective use of repression, are little more than stopgap measures. As the crisis deepens, Castro will eventually be faced with a choice between using Cuba's already weakened institutions to mobilize and control an increasingly desperate population or loosening political and economic controls in order to raise productivity. Both alternatives pose fundamental challenges to Castro's continued rule.

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Under the first option, Castro would insist that Cubans ride out the shortages of energy, food and spare parts by working harder. Since 1986, however, the rectification campaign has tried and failed to increase worker productivity through the use of moral incentives. In the absence of material incentives, the only other way to raise worker productivity would be through increasing reliance on some form of "voluntary" labor. Yet the degree of repression that would have to be applied to achieve higher production levels would ultimately provoke either a military coup or a popular revolt.

A coup would be likely for a number of reasons. The execution of General Ochoa left many members of the military distrustful and resentful of Castro, particularly those who served with Ochoa in Angola and who now face an uncertain future in Cuba. Castro's use of the revolutionary armed forces to quell rising popular discontent or force Cubans to work harder would destroy the traditionally good image and reputation of the army at home and abroad. For many military men, particularly those who received training in the Soviet Union and who support Gorbachev's reforms, the sacrifice would seem pointless, since it would not help solve Cuba's increasingly desperate situation. The conclusion that they could improve Cuba's future as well as their own by removing Castro from power would become inescapable.

Seen in this context, therefore, Castro's selection of military men to head key civilian institutions constitutes a calculated risk born of limited options. By militarizing political institutions now, he may be able to avoid calling on the military later to engage in the kind of repression that would trigger a coup.

Cuba, however, could also go the way of Romania. Some unpredictable spark could set off a rebellion against Castro, whose behavior in the face of the growing crisis would appear increasingly irrational, arbitrary and intolerable. In such a situation, the military would probably find it more expedient to join the rebels than to remain loyal to Castro, for the reasons just cited.

There is even the possibility that the Cuban leader might be assassinated. Despite Castro's supposed popularity and charisma he has always been surrounded by bodyguards, and his travels within Cuba are unpublicized and unpredictable. The fact that he tried to fly ten tons of arms and ammunition into Brazil for his personal security during a visit in February is further evidence that he views his life to be in danger.

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Although his precautions might seem to rule out an assassination, the arrest of Abrantes and other confidants during the summer of 1989 has left him with relatively few people he can trust.

Cuba could, of course, avoid these drastic outcomes were Castro to respond to changes in Eastern Europe and the Soviet Union by moving toward a market economy and reestablishing economic relations with the United States. Castro's earlier experiment with limited market mechanisms in the late 1970s and early 1980s, however, was short-lived, in part because it showed that the capitalist attitudes he despises were still alive and well in Cuba, despite his belief that he had succeeded in creating a new socialist man. The experiment also had begun to create alternative sources of wealth, a development with political implications that were potentially threatening to Castro's continued control.

Given the relatively greater deterioration of the Cuban economy today, much more extensive economic liberalization would now be required to solve Cuba's economic problems than before. Furthermore, in the period that has elapsed since the earlier experiment with market mechanisms, communism has been delegitimized, and democracy and free markets have triumphed as ideas. Finally, the number of living Cubans who participated directly in the 1959 revolution has declined, while Cuban youth, which now accounts for 50 percent of the population, has become more alienated from a revolution they did not make and more attracted to consumer-based economies. As a result, the implementation of the kinds of market mechanisms now necessary to save Cuban socialism would destroy it.

Conceivably Castro could experiment with limited political liberalization in order to induce the United States to lift its economic embargo and reestablish relations with Cuba. This is the only option that poses no risk for Castro, since it would allow him to normalize relations with the United States on his own terms. A resumption of bilateral trade would give Castro hard currency to shore up Cuba's disintegrating economy and allow him to avoid introducing market mechanisms in order to survive the collapse of communism elsewhere.

Castro tried political liberalization in the late 1980s, when he released a number of long-held political prisoners, tolerated the formation of two small human rights groups and improved relations with the Catholic Church. Simultaneously Castro and

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other high-ranking officials dropped their hostile rhetoric toward the United States, stated their desire to improve relations with Washington, reinstated an immigration agreement with the United States and participated in U.S.-mediated negotiations that led to a withdrawal of Cuban troops from Angola.[9]

The experiment with limited political pluralism ended when its risks began to outweigh its anticipated benefits. Cuba's small human rights movement had begun to gain momentum at home and increasing attention and support abroad, particularly in the aftermath of the democratic revolutions in Eastern Europe. At the same time, it had become clear that Washington was in no hurry to alter its Cuba policy radically in response to very limited political changes that could be easily reversed (which, in fact, they were). A number of human rights activists were harassed and subsequently arrested and convicted of the "crime" of congratulating the U.N. Commission on Human Rights for voting against Cuba. Several were also accused of giving "false" information about Cuba to foreign journalists.

In the current international atmosphere, where foreigners no longer give Castro the benefit of doubt and consider him the last Stalinist dictator, a new political opening in Cuba would be even more threatening to Castro's control. Domestic opponents of the regime would immediately press for free and internationally monitored elections, spurred on by the recent defeats of General Augusto Pinochet in Chile and the Sandinistas in Nicaragua.

There are those who say that Castro would have nothing to fear from such elections, that within Cuba he remains a popular and charismatic leader who still is able to draw huge and enthusiastic crowds. They also argue that Cuban nationalism and Castro's historical role as a revolutionary hero would offset any popular discontent produced by years of economic hardship and the prospect of an even more precarious economic future.

In the absence of free and fair elections, it is impossible to confirm or refute this reasoning. But the erroneous press reports prior to the Nicaraguan election regarding the Sandinistas' popularity and the wildly inaccurate polls that pre-

[9] For a discussion of these policies, see Susan Kaufman Purcell, "Is Cuba Changing?" *The National Interest*, No. 14, Winter 1988/89, pp. 42–53.

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dicted a Sandinista landslide argue for extreme caution in drawing conclusions about a leader's popularity based on the public behavior of an unfree people.[10] In the case of Cuba, it seems reasonable to assume that, as in Nicaragua, a free and internationally monitored election would set in motion forces that would lead to a vote for Castro's removal.

VIII

The sense that Fidel Castro's days may be numbered has once again focused attention on U.S. policy toward Cuba. International developments, however, have profoundly transformed the nature of the debate. They have weakened the argument for normalization of relations, and the issue now is whether to maintain the current policy or toughen it.

The argument for a more forthcoming U.S. policy toward Cuba had been based on an essentially benign vision of Castro, his extraordinary charisma and the broad support he enjoyed among the Cuban people. Castro's communism and alliance with the Soviet Union were interpreted as reactions to a relentlessly hostile U.S. policy. The dictatorial aspects of Cuban communism were often downplayed, while advances in education and health as well as revolutionary Cuba's more egalitarian social structure were emphasized.

From this it followed that the U.S. could solve its "Cuba problem" by lifting its economic embargo and taking steps to normalize relations. Those who favored this policy intensified the pressure on Washington during periods when Castro would signal a willingness to discuss the issue with the U.S. government. Some argued that there should be no preconditions for normalizing relations. Others accepted the need for quid pro quos from Cuba.

Developments in Eastern Europe and Nicaragua have challenged these assumptions about Cuba. The revelations about the nature of Eastern Europe's communist governments have destroyed any illusions about popular support for these regimes and have increased skepticism about those that remain. The subsequent electoral defeat of the Sandinistas undermined the argument that revolutionary communist regimes in the Third World, unlike those of Eastern Europe, enjoyed the

[10] For a persuasive description of the gap between public and private attitudes and behavior in Cuba, see José Luis Llovio Menéndez, *Insider: My Life as a Revolutionary in Cuba*, New York: Bantam Books, 1988.

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widespread support and gratitude of their populations, irrespective of the success or failure of their policies.

By confounding these assumptions about Cuba, the events in Eastern Europe and Nicaragua also undermined confidence in the policy recommendations that flowed from them. As a result, those who advocated a softening of U.S. policy toward Cuba have been put on the defensive.

Supporters of the current policy, and those who want to toughen it, are united in their vision of the Cuban regime and feel vindicated by international developments. They never accepted the notion that Castro's communism was a reaction to Washington's hostility. Instead they argued that the Cuban leader chose to ally himself with the Soviet Union and never had any real intention of making a democratic revolution or maintaining friendly relations with the United States.

From this they concluded that it made no sense to lift the U.S. embargo as long as Cuba remained a communist dictatorship ruled by a rabidly anti-American leader. Its removal would only strengthen Castro by allowing him to maintain his strategic alliance with Moscow while providing him with additional resources with which to buy support at home and pursue his revolutionary policies abroad.

The embargo's original purpose was to bring about the collapse of the Cuban economy and with it the removal from power of Fidel Castro. That goal remained elusive as long as Castro could count on the Soviets for trade and aid. A succession of U.S. presidents redefined the embargo's purpose as the isolation of Cuba. They vowed to keep the embargo in place until Castro stopped aiding guerrillas in the Third World, withdrew Cuban troops from Africa and allowed free elections and respected human rights at home.

In addition to the embargo, current U.S. policy is to mobilize international support for continued monitoring of the human rights situation on the island. Within Cuba, the U.S. has successfully challenged Castro's control over information, first by establishing Radio Martí in 1985 and, more recently, by approving the creation of TV Martí, subject to a successful three-month test of its feasibility, which began in late March. Washington has also stepped up calls for elections in Cuba, promising to restore relations with a duly elected democratic government.

Those who favor maintaining the current policy argue that disruptions in Soviet-Cuban trade flows, the anticipated reduc-

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tion in Soviet aid and the move toward free market economies in Eastern Europe will finally enable the U.S. economic embargo to bring about substantial changes in Cuba. They believe that efforts to toughen the embargo would make it difficult for the United States to achieve international cooperation in its efforts to pressure Castro. Finally they argue that a tougher U.S. policy could also undermine the current bipartisan consensus in Congress and refocus attention to the fight within the U.S. government over its Cuba policy.

Advocates of a tougher U.S. policy toward Cuba want to restore the U.S. trade embargo to its status before 1975, when the Ford administration allowed foreign subsidiaries of U.S. companies to trade with Cuba. Proponents of a tighter embargo point out that other existing trade embargoes, such as those against North Korea, Vietnam and Cambodia, apply to foreign subsidiaries and that Cuba is the only communist country with a loophole for foreign subsidiaries. Since 1982 foreign subsidiaries of U.S. companies have engaged in trade with Cuba valued at approximately $1.5 billion.

On April 5, Senator Connie Mack (R-Fla.) joined with Senators Phil Gramm (R-Tex.), Bob Graham (D-Fla.) and Joseph Lieberman (D-Conn.) to introduce a bill closing the loophole in the embargo. Under the proposed legislation, the president would have authority to withhold federal assistance from any country that buys sugar from Cuba. There is a good possibility that Congress will move to tighten the embargo, though with uncertain effect in actual practice.

Whether the United States hardens its current policy or reaffirms the status quo may be less important than its continued insistence on ending human rights abuses and holding free and fair elections before lifting the embargo. Such elections could take the form of a plebiscite, as a number of prominent intellectuals throughout the world have suggested, or a contest for the presidency. The main alternative to be avoided is a premature reconciliation that snatches defeat from the jaws of victory by allowing Castro to substitute U.S. trade for declining Soviet aid and thereby prolong his undemocratic personalistic rule.

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Barry Rubin

RESHAPING THE MIDDLE EAST

The effect on the Middle East of dramatic changes in the Soviet bloc and the international political balance can be symbolized by an aphorism: in the 1980s it seemed plausible that the Soviet Union might invade a disintegrating Iran; in the 1990s it seems conceivable that Iran might take over defecting portions of a crumbling U.S.S.R.

The remarkable revision of fortune and collapse of long-held premises necessitates rethinking the nature of Middle East politics and U.S. policy toward that most troubled of regions. For radicals, particularly Syria, Libya and the Palestine Liberation Organization (PLO), the changes signify the defection of their most important ally. Yet the more conspicuous metamorphosis in Europe only bolsters ongoing, indigenous changes that must now be factored into U.S. perceptions and policy.

The blows to the Arab world's most cherished ideas are particularly striking. Pan-Arab nationalism has weakened as states take on their own characteristics and as regimes explicitly seek their own interests. The nationalist dictatorships that took power in the 1950s and 1960s drew much of their economic and structural framework from the discredited Soviet model. The oil boom of the 1970s is largely a memory, and economic prospects in the Middle East are now generally poor. And not only did the Arabs fail to destroy Israel, the attempt proved exceptionally costly and the Jewish state became more entrenched. As a result, Arab states have relegated the Arab-Israeli conflict, in reality, to low priority.

II

Western views of the Middle East are still largely based on the upheavals of the 1950s and 1960s, when Arab military regimes intoxicated followers with visions of victory, renais-

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sance, revenge and incipient unity. Egypt's Gamal Abd al-Nasser, posing as the hero destined to unite all Arabs, had followers in every country. Imitators took power in Syria, Iraq and eventually Libya, and seemed poised to rule across the region.

But since each country saw itself as a candidate to lead, the Arab world split into quarreling blocs. A cold war erupted between radical and conservative Arabs. Among ideologies, there was a battle between Nasserism, Baathism, communism and monarchy. Within states, communal groups struggled for preeminence: Alawites, Druzes and Sunni Muslims in Syria; Christians and Muslims in Lebanon; Sunni and Shiite Muslims and non-Arab Kurds in Iraq.

The pressures of the inter-Arab battle led Egypt and Syria to blunder into the 1967 war. To protect their credentials, the Arab losers—both radicals and monarchists—refused talks, much less peace, with Israel. This intransigence left Israel holding the West Bank, Gaza, the Golan Heights and Sinai. After Nasser's death in 1970, no leader held such wide appeal. Quarrels among states, backed either by Moscow or Washington, intensified.

Nasser's successor, Anwar al-Sadat, tried to break the inter-Arab and Arab-Israeli deadlocks by attacking Israel in 1973 in conjunction with Syria. At first the improved Arab military performance, temporary unity and rising oil prices seemed to herald a new age.

But these hopes were soon dashed. Each year brought a new catastrophe: Lebanon's civil war in 1975; Syrian intervention and Syria-PLO fighting in 1976; Sadat's flight to Jerusalem to make peace with Israel in 1977; the signing of the Camp David accords in 1978; Iranian fundamentalists' seizure of power in 1979; the outbreak of the Iran-Iraq War in 1980; and Israel's destruction of Iraq's nuclear reactor in 1981.

Then 1982 brought a triple crisis. In retrospect it seems the watershed year for Middle East politics, as three major upheavals laid the foundation for a new era. First, in February, the Syrian regime murdered between 10,000 and 30,000 of its citizens in an attempt to wipe out Islamic fundamentalists in the city of Hama. The myth of the heroic and united radical nationalist state had been drowned in blood.

Second, in June, Lebanon's bloody seven-year-old civil war entered a new stage with the Israeli army defeating Syrian forces and the PLO. Neither the other Arab states nor the

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Soviet Union responded significantly. Lebanese Christians cooperated with Israel; many Shiites in the south welcomed the removal of the oppressive PLO presence. The PLO's second-ranking leader, Abu Iyad, accused conservative Arabs of being accomplices to the attack, and at a mass meeting another PLO leader, Khalid al-Hasan, condemned Syria for not fighting hard enough and for failing to attack Israel through the Golan Heights.

The experience shattered any remaining presumption of Arab unity and activism against Israel, of support for the PLO and the reliability of Moscow as an ally. In Israel heavy combat losses and unmet political goals provoked serious debate about alternatives to the endless contest. In the PLO the debacle showed a serious erosion of Arab support—Syria helped foment a split in 1983—and began a long, slow process of questioning whether a compromise settlement with Israel was possible, preferable and necessary.

Third, in July of 1982, Iran's army culminated a series of victories in its war with Iraq by crossing the border and advancing to within a few miles of Baghdad. Beyond the threat from these victories lay the specter of Islamic fundamentalist revolution as an alternative to Arab nationalism and as a menace to all existing regimes. The Gulf war outstripped the Arab-Israeli conflict in immediacy. In reversals almost as remarkable as Mikhail Gorbachev's retreat from Eastern Europe, Iraq courted the United States, Kuwait asked for U.S. protection for its tankers, and the Gulf states welcomed a U.S. naval presence in their midst.

For the Arabs, the panorama of the 1980s could hardly have been more gloomy: Egypt was at peace with Israel and severed from the Arabs; Lebanon was facing endless bloodshed and collapse, as the Arab League stood by in impotence; Libya and Syria were supporting Iran in war against the fellow Arab state of Iraq. King Hussein of Jordan complained at the 1985 Arab summit: "How can we make progress when there is disintegration instead of congregation, regionalism instead of Pan-Arab solidarity, plotting instead of harmony, hegemony instead of fraternization, destruction instead of construction, and the placing of obstacles instead of their removal?" An Arab writer grimly concluded: "It is difficult to find two neighboring countries which have amicable relationships."

Riches that had seemed infinite shrank as oil prices fell, surpluses were spent, and the dollar declined in value. Higher

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prices forced Western nations to conserve oil, switch to alternate fuels and find new sources. The petroleum-exporters' need for money tended to push production up and prices down. While in fiscal year 1980–81 the Saudis had a $33.6-billion budget surplus, from 1986 to 1988 their annual deficit ranged from $14 billion to $20 billion. The government's foreign assets fell from a high of $145 billion in 1982 to $63 billion at the end of 1988, of which at least half was in uncollectible loans to Iraq and others.

The most significant growth of local nationalism was in Iraq. After seizing power in 1968, the Iraqi Baath Party divided Arabs into a progressive camp, naturally led by Iraq, and a reactionary camp led by Saudi Arabia. Arab unity was to be imposed by revolution, and Baghdad openly strove to destabilize the Arab monarchies. "It is our duty," said Iraq's then president, Ahmad Hasan al-Bakr, "to liberate the Arab people everywhere. . . . We should ignite the Arab revolution in every Arab land."

This line was gradually replaced by a growing Iraqi-centered nationalism and accommodation with conservative Arab states. In 1975 President Saddam Hussein spoke of the need to achieve a balance between Iraq's interest and that of a united Arab homeland. In 1979 he went further, saying that the Arab homeland was still an unfulfilled goal, while Iraq was an existing reality. In addition, Hussein warned, Iraq had to prevent the Shiite majority and Kurdish minority from turning toward Iran by melding them—using concessions and brutal force, respectively—into the Iraqi nation. War with Iran necessitated and augmented the building of an explicitly Iraqi patriotism.

Iraq's wartime financial and political needs also required rapprochement with Saudi Arabia and other Gulf Arab monarchies. Baghdad became closely allied with "reactionary" Jordan and led the way in returning "traitorous" Egypt to the Arab ranks. Although pledging never to restore diplomatic relations with the United States as long as Washington supported Israel, Iraq did so anyway.

Baghdad's policy toward the Arab-Israeli conflict took a parallel course. In the early 1970s, it proclaimed, "The Palestine issue is the core and essence of all the slogans and aims of the Arab revolution." A decade later, the same leaders openly put their own country first. Pan-Arabism was a dream for the future; Iraq was the reality of the present. The Palestine

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problem had to wait; Iraq, which had "liberated" its own land in war, told Syria "and the owners of Palestine" to do the same.

If Pan-Arabism and the old style of regional political framework was fading in the 1970s and 1980s, the Islamic fundamentalist alternative never attained its expected triumphs. The Iranian Revolution—like the French, Russian and Cuban revolutions before—spawned many imitators in ideology and strategy but only rare successes. Ayatollah Ruhollah Khomeini's direct appeal did not extend far among Arabs.

Radical fundamentalists assassinated Sadat in 1981 but were unable to develop a united or growing movement in Egypt. Repression crushed their colleagues in Iraq and Syria. Similar groups became engaged in the fighting between Lebanese Shiites and Palestinians, but they seemed unable to seize power in their own communities, let alone in the countries where they lived. A major reason for this gap between expectation and reality was the distinction between Islam's popularity among the masses and their rejection of radical fundamentalism as its proper incarnation. Most Muslims were satisfied by reforming laws or changing their own lifestyles. Each regime had to take Islam into account, constraining its maneuvering room, but each appeared able to manage or even exploit the issue in its own interest.

Conflicts between Persians and Arabs, Sunni and Shiite Muslims, and Iranians and Iraqis prevailed over the commonality of Islam. Radical fundamentalists also remained largely on the defensive in confronting the onslaught of modernization and Westernization. Even in Iran they seem barely to have contained the appeal of movies, gender equality, consumerism, love songs, fashions, changes in sexual mores, preference for foreign goods, science, instant gratification, secular education and Western economic methods.

Part of the problem is the radical fundamentalists' inability to create an alternative form of governance and development, to separate technology from social structure and to couple economic progress with international isolation. Such debates deadlocked Tehran's postwar policy. And though "moderates" in Iran were restrained by their pragmatic recognition of domestic political realities, the ideologues were clearly losing ground in the battle over the country's future course. While originally presenting itself as a means for unity, revolutionary fundamentalism—like Pan-Arabism and the radical national-

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ism represented by the military regimes—became just another source of contention.

III

For the Arab-Israeli struggle as well, the 1980s challenged long-held assumptions. Experience had shown Arab leaders that they were unable to destroy Israel. Such efforts were dangerously costly; other priorities competed for attention. Yet ideology, rivalries between states and the insecurity of governments also made it extraordinarily difficult to take the steps necessary to end the conflict. The result was deadlock. The Arab-Israeli conflict has often seemed in Arab rhetoric and Western perception to be the overwhelming, even sole, regional problem. Yet it was not so much the cause as a highly visible manifestation of internal Arab struggles over identity, the path of economic development, power, internecine strife and anti-Western resentments. By portraying the issue as the prime mover of Middle East history, Arab rulers and intellectuals avoided having to reexamine a set of premises that did not accord with reality, a refusal now being rendered far more difficult by regional developments and the Cold War's end.

There was indeed something for everyone in the idea that the Arab-Israeli conflict was the region's central, overwhelming feature. Conservative Arabs argued that the conflict necessitated subordinating internal disputes, and used it to divert their people's attention from problems at home. They explained that their allies in the West were deluded by the Zionists but might still be won over for the Arab cause. Leftist Arabs and fundamentalists insisted that winning the struggle required overthrowing incumbent regimes, and that only Israel's destruction would make possible the Arab world's revolutionary transformation. They further claimed that Israel's existence proved the West to be an irredeemable enemy.

A stream of Western conservatism could deny that the Arabs had any other grievance against the West. Hence bilateral relations might allegedly be vastly improved at Israel's expense and at little cost to their own countries. Western radicals could portray the conflict as a revolutionary cause to be supported. The issue furnished another way to strike against their own countries, caricaturing Israel as a Western creation.

Yet these predictions and prescriptions were almost always proven false. In fact, U.S. regional influence increased and Soviet leverage declined well before President Gorbachev

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instituted his reforms. In the final analysis, the close U.S.-Israeli relationship actually reinforced the Arab states' need to reach an understanding with the United States. Israel forced Egypt, Syria and Jordan to proscribe direct cross-border terrorist attacks. The Arab states were deterred from conventional military assault by Israel's ability to defeat them.

Military losses, widening inter-Arab disputes and differences with the PLO were factors attenuating the Arab-Israeli conflict on a state level in the 1980s. Egypt, exhausted from squandering limited resources, made peace. Other regimes were forced to be more cautious. In particular, Syria sought to avoid a war in which it would be isolated in single combat with Israel.

Indeed Syria is the most notable Arab loser from the changing regional picture. As if Syria's domestic problems, economic difficulties, Lebanese imbroglio and regional political isolation were not bad enough, it is also the Arab state most dependent on Soviet support. Egypt's potential power comes from its size, high degree of internal integration and U.S. patronage; Iraq, on the other hand, has oil wealth. But Damascus' main strategic asset was its status as the leading Soviet client in the Middle East.

The end of the Iran-Iraq War confronts Syria again with a powerful enemy in Iraq. Syria's structural relationship to the Arab-Israeli conflict—its posture as paladin of Arab nationalism and ambition to dominate the Palestinians—makes it hard for Damascus to change policy. Furthermore, if Israel were accepted as a normal regional power, it would more likely cooperate with Syria's rivals—Jordan and Egypt—and Damascus would be reduced to a second-rate power. A Palestinian state would look for support to Syria's enemies, Iraq, Egypt and Jordan. In short, Syrian obstructionism and hawkishness against peacemaking efforts have been logical given its choices.

Saudi Arabia, on the other hand, is a weak, wealthy country that cultivates a timid political style to avoid offending fellow Arab states and to try buying off potential threats. Protection from radicals requires lavish aid and extreme rhetoric. Simultaneously, however, Saudi weakness dictates restraint and good relations with the United States, the kingdom's protector.

"We wish to exterminate Israel once and for all," a Saudi-backed newspaper proclaimed in 1985. "We call upon all those who are capable of heroic actions to become martyrs and to sacrifice their own lives." Yet the regime is certainly not willing

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to risk martyring itself, particularly as long as its oil fields are targets for Israeli reprisal. While saying that its major enemy is Israel, Saudi Arabia gave priority to dealing with the Iranian threat, contributing shrinking amounts of money to the PLO and confrontation states.

In fact all the Arab states bordering Israel have reached some form of modus vivendi with it, though each case is different. Egypt is at peace, albeit a cold one. Syrian troops do not enter southern Lebanon, minding Israel's warning that crossing the "red line" will bring retaliation. Syria encourages terrorism against Israel from south Lebanon but allows none through its own front in the Golan Heights. Jordan's de facto cooperation ranges from mosquito control along the Jordan River to secret meetings between King Hussein and Israeli leaders. The Lebanese Druze and Shiite Amal groups are Syrian clients who also maintain liaison with Israel and limit armed PLO presence in their jurisdictions.

Thus Arab regimes have shifted policy, but the change has generally been away from belligerent militancy to relative disengagement camouflaged by heated rhetoric. Arab leaders are less willing to take the expensive chance of making war but are equally wary of political risks in actively seeking peace.

Still there has been broader recognition than ever before of the need to make a historic compromise. "No problem that has endured as long, has cost as many lives, and has engendered as much distrust, hatred, and discord as the Arab-Israeli conflict can have a cost-free solution," warned Jordan's Crown Prince Hassan.[1] His brother, King Hussein, asked the PLO, "How long shall we heed those among us who say: leave it to future generations? . . . What makes them believe that the circumstances of future generations will be more conducive?"

These attitudes, in turn, forced the PLO to rethink traditional positions and seek negotiations. Fear of abandonment by Arab states, demands for progress from their own people in the occupied territories, concern that the *intifada* might collapse and frustration at their lack of material success moved PLO leaders toward reevaluation.

The peace process, despite its slow pace and many detours, has reached the most promising point in history. The Israeli government's peace plan, President Hosni Mubarak's proposal and Secretary of State James Baker's suggestions have ham-

[1] Hassan Bin Talal, "Jordan's Quest for Peace," *Foreign Affairs*, Spring 1982, p. 803.

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mered out a basic procedure for negotiations. Any success will require the Arab states, as well as the Palestinians, to make peace with Israel—which is understandably concerned that the Arab states may yet renew warfare and has doubts about the PLO's intentions. The end of the Cold War forces some Arab leaders to rethink their policy on the issue and examine their traditional notion that time is on their side. It also makes it easier for the United States to urge Arab rulers to make a historic compromise.

IV

Events in Europe have also altered the Middle East situation and U.S. interests there in other ways. Two emerging global questions have a special reflection in the area.

First, will modernizing Third World states, impelled by their own nationalism, seek regional hegemony in a post-Cold War era? Nowhere is the answer more likely to be yes than in the Middle East. Obviously the withdrawal of Soviet support undermines dependent radical regimes, most notably Syria and Libya, but it has much less effect on those with their own resource base—Iraq and, to a lesser extent, Iran. While it would make good sense for regional governments to pay more attention to development and reducing military spending, Iraq's example is a reminder that this need not happen. After all, what country would be more likely to follow a pacific, inward-looking, military program than one that has just completed a terrible eight-year war? Yet Baghdad has maintained its huge army and continued its crash program to develop nuclear, biological and chemical weapons.

Similarly the Arab states' high military spending was not simply a function of the Arab-Israeli conflict. It also soaked up young men who otherwise would have been unemployed and troublesome, provided security against both internal threats and the aggression of fellow Arab states or of Iran, and kept happy a politically powerful military establishment. The fact that the region's countries—with the exception of Iraq—are reaching the limit of their resources means that the arms race may level off, but the situation there will continue to be dangerous. As European history demonstrates, the passage from universalist philosophies to nation-state patriotism does not necessarily make for peace and stability. Europe's great wars and imperial expansion took place in the age of national integration and identification with individual countries.

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Second, will democratic movements challenge existing dictatorships? (The revolutionary slogan of the 1960s was "two, three, many Vietnams"; the motto of the 1990s may be "two, three, many Romanias.") In the Middle East, more than any other part of the world, the answer is likely to be no. Iran and most Arab states are ruled by tough dictatorships armed with modern weapons, state-of-the-art organizational techniques, and the determination to use any amount of force to stay in power. At best some states might follow the Egyptian model of a multiparty system, in which the incumbent leaders always retain control but allow some rights to a permanent opposition. In contrast to Eastern Europe and, to a lesser extent, the Soviet Union, there is no democratic tradition or independently minded middle class currently capable of compelling such a new political direction. Moreover the rulers have proved adept at maintaining their authority. Although the Middle East has a reputation for instability, the last successful coup (outside of the Yemens) was Muammar al-Qaddafi's seizure of power in Libya in 1969.

The disproportionately large younger generation, discredited radical regimes and economic downturns bring the potential for unsteadiness. But even if change occurs, new military coup-makers or radical fundamentalists are likely to emerge as victors. Iran's revolution, Lebanon's civil war, Syria's repression in Hama, Iraq's treatment of the Kurds and the existence of radical fundamentalists as the main opposition forces in several states show that prospects for moderate, nonviolent forces are not promising in the foreseeable future.

The new era's most immediate attribute for Middle East rulers is the Soviet Union's decreasing ability to shape events. Moscow's influence had been, of course, at a historical low point for a decade. Egypt abandoned its alliance with the Soviet Union in the early 1970s, due to Moscow's unwillingness to help Cairo make war and its inability to help make peace with Israel. Baghdad was disgusted with Moscow's refusal to take its side in the war against Iran in the early 1980s, and Soviet impotence further undermined its reputation as an ally during the crisis in Lebanon in 1982.

Gorbachev's new course has important implications for the Arab-Israeli conflict. His retreat from engagement greatly reduces the chance of another Arab-Israeli war. Israel's Foreign Minister Moshe Arens acknowledged, "Syria can no longer embark on military escapades against Israel and enjoy

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Soviet support." Damascus' weakness also makes it unable to veto an Israeli-Palestinian agreement. Gorbachev urged the PLO to move toward negotiations with Israel. Moscow's revised emigration policy strengthens Israel by allowing hundreds of thousands of Soviet Jews to go there. Israel has also gained from the Soviet decision to give up its East European satellites, which moved quickly to establish diplomatic relations and economic links with Israel. In addition new East European governments are inhospitable to international terrorists, denying them indispensable training bases and logistical backing.

Loss of Soviet and East European support and the influx of Soviet Jews have created a mood of near-hysteria in the Arab world. Arab leaders and newspapers have made wild claims that these immigrants were moving into the occupied territories—where only a tiny number actually settle. PLO Chairman Yasir Arafat, forgetting his new moderate line, spoke of 3.5 million Israelis already in "occupied Palestine" and claimed the influx would be used to conquer much of the remaining Arab world.

Nevertheless the overall direction of events—albeit slowed by the disarray in Israel's government—is to make a successful peace process more likely. Israel's founding leader and long-time prime minister, David Ben-Gurion, once predicted that the Arabs would accept Israel only when they found themselves unable to destroy it. The history of the last four decades seems to have proven this prophecy, much as it has proven the parallel prediction by George Kennan about the evolution of Soviet behavior when its pugnacity was successfully countered.

This trend, however, also challenges the view of Middle Eastern politics as revolving around the Arab-Israeli conflict. Even some form of negotiated settlement of the issue will not bring a regional "end of history." The state system will still be troubled by conflict and the individual regimes by potential instability. For even if Europe has now decided on its destiny, borders and preferred system, the Middle Eastern peoples and states have reached no such consensus. This means that U.S. policy will face continued challenges in the region.

It is true that a large element of U.S. Middle East policy was set by the framework of the Cold War. The Soviet Union's entrance into energetic engagement in the region—signaled by the 1955 Czech-Egyptian arms deal—and the emergence of pro-Soviet radical regimes were major factors in shaping a U.S. response. The involvement of Washington and Moscow

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on opposite sides of the Arab-Israeli wars was a motive for activism and a source of tension. Perhaps the last act of this drama was the creation of a U.S. Rapid Deployment Force in the early 1980s to serve as a trip wire if Soviet forces invaded Iran.

Yet this is not the whole story. The dangers posed by extremist regimes in Nasser's Egypt, Iraq, Iran, Syria and Libya were intensified, but not created, by the Soviet backing they sometimes enjoyed. The problems of international terrorism, rising oil prices, Lebanon's disintegration, revolutionary Islamic fundamentalism, Iran's revolution and the Iran-Iraq War were relatively independent of Soviet involvement.

A strong argument can be made that local powers that have caused trouble for U.S. policy in Latin America (Cuba, Nicaragua under the Sandinistas), Africa (Ethiopia, Angola), and Asia (Vietnam, Cambodia, North Korea) are highly reliant on Soviet aid and support. Without Moscow's help, they are likely to become far more timid, collapse or seek Western support as a substitute. The prostration of Marxism-Leninism also undermines their own rulers' legitimacy. These arguments are far less true, however, for the relatively independent Middle East powers with their own national agendas, doctrine and money.

v

Even if the United States is relatively less interested in the Middle East, Washington will still be more actively concerned with events in that area than in almost any other part of the world. Moreover, even if U.S. policy becomes more domestically oriented, the region will still become the locus of crises demanding a response from Washington.

Aside from the Arab-Israeli peace process, there will be three main priorities for U.S. Middle East policy in the 1990s. First, there is the problem of ambitious, aggressive, radical states that could try to dominate the region, subvert an Arab-Israeli peace settlement, oppose U.S. interests, sponsor terrorism and overthrow U.S. allies. The most important of these is Iraq, with its victory over Iran, huge oil resources, large army and ruthless leadership. But Syria, Libya and Iran could also play this dangerous role. The United States must deter and counter threatening and destabilizing actions by these states.

Second, there is a prospect of internal instability in several states, notably Egypt, Saudi Arabia and Jordan. The ousting of

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these regimes or systems is neither inevitable nor imminent. Yet economic decline, generational change, widespread dissatisfaction and dislocations from modernization could eventually bring severe problems to these countries from radicals or revolutionary fundamentalists. The United States must determine how it will react to impending or successful coups or revolutions in these states. The crisis around the fall of the shah and its aftermath shows that this is not an easy task.

Third, the development of dangerously innovative weapons systems—missile, nuclear, chemical and bacteriological—poses heightened risks for peace and provide new assets for potential regional aggressors. It is easy enough to suggest that the United States and other countries can avoid this problem by preventing these kinds of qualitatively different arms from reaching such regimes, but nonproliferation efforts have been full of holes and, in many cases, are already too late. There are alternative suppliers of technology—China, for example—as well as companies that will assist smuggling for high profit and the growing indigenous capacity of the states themselves.

In dealing with these threats, U.S. policy is sabotaged by one paradox and assisted by another. The negative aspect can be called the "paradox of preference." As the United States begins a process of "standing down" from the long Cold War mobilization, the desire to reduce military spending and global commitments and the demand to pursue a less active Middle East policy are likely to prove powerful. Changes in Europe will preoccupy Washington for years to come: reassessing NATO, helping Eastern Europe establish new economic and political structures, working out a new relationship with the U.S.S.R. If anything the United States has less time to concern itself with Middle East issues.

Politicians naturally desire to avoid risks, and this part of the world has proved costly for the political standing of the last two American presidents. The Iranian Revolution and hostage crisis, the debacle of the U.S. Marines in Lebanon and the secret Iran arms deal, among other factors, make the Middle East seem a dangerous place, to be avoided if possible. Domestic public opinion is likely to second this cautionary note.

To some extent, however, this situation is eased by the "paradox of perception." In the Third World in general and the Middle East in particular, U.S. omnipotence and omnipresence are firmly rooted in the belief systems of leaders and populace alike. This factor is further reinforced by the U.S.

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triumph in the Cold War and the U.S.S.R.'s inability to be a viable alternative source of backing for regimes. History has shown that even relatively modest displays of U.S. fortitude can have remarkably salutary effects, despite perennial arguments that they will only stir firestorms of regional outrage and anti-Americanism.

For example, it seems clear that the U.S. engagement in the Persian Gulf was a major factor in convincing Iran to end the long war with Iraq. Khomeini finally decided to change his policy lest Iran be brought into collision with Washington. The 1986 U.S. bombing attack on Libya was effective in forcing Qaddafi to back away from terrorism. In practice other Arab states were pleased to see Libya weakened, and other state sponsors of terrorism took notice. U.S. support for the Afghan guerrillas helped force a Soviet withdrawal. The release of two American hostages in the spring of 1990 is another example of the weakness of radical states—Syria and Iran—and their eagerness for better relations with the only remaining superpower.

The U.S. demand that the PLO must alter its course if it wanted a dialogue with the United States eventually forced that organization to move in a more moderate direction. The warnings that U.S. support for Israel would destroy its interests in the Arab world were proved wrong and, in addition to other benefits, that special relationship made Washington the dispute's only conceivable mediator. It was Moscow, pursuing a one-sided strategy, that lost influence.

This is not to say that a larger U.S. military presence in the Middle East is necessary or that direct intervention in internal revolutions is desirable. Such steps could be counterproductive and are unlikely to appeal to U.S. leaders. But the judicious use of U.S. diplomatic leverage and political pressure will be all the more vital in the post-Cold War era, precisely to avoid the need for extreme actions and to counter the threats outlined above.

The simple reality is that if the United States does not take a decisive stand to discourage aggressive radical states and prevent the flourishing of new weapons systems—including open threats to use them against U.S. allies—the danger will grow. No matter how loudly they may decry U.S. warnings and criticism, these regimes will have to heed them. One may cite in this context no less an expert than Iraq's Deputy Foreign Minister Nizar Hamdoon: "Aggressors thrive on appease-

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ment. The world learned that at tremendous cost from the Munich agreement of 1938. . . . How could the German generals oppose Hitler once he had proven himself successful? Indeed aggressors are usually clever at putting their demands in a way that seems reasonable." This formula should also apply to U.S. policy toward Iraq's ambitions.

The post-Cold War era's peculiar combination of enhanced U.S. prestige and diminished willingness to engage in foreign policy activism makes a reliance on regional allies all the more important. Their vitality in the regional power competition provides the most effective deterrent to the radicals.

Thus the removal of the Soviet factor actually increases the value of the U.S. special relationship with Israel. The same considerations dictate the growing centrality of the entente between the United States and Egypt. The strength of these two regional allies is the best insurance for deterring radical regimes and shoring up shaky moderate ones. Nuclear and chemical weapons are least likely to be used against those who can defend themselves and who are backed by a U.S. admonition against potential attackers. Such a stance is also necessary to encourage and guarantee any Arab-Israeli peace process.

Another task will be for the United States to define in advance how it would respond to internal upheavals. The precedent of Iran's revolution, with a slow, poorly informed and makeshift U.S. response, is not a promising one. While the government's deliberations should be held most tightly in confidence, there needs to be a public discussion as well to provide alternative perspectives along with a base of potential support for future leaders faced with such a crisis.

An equally problematic issue is over how to ease relations with such states as Iran, Iraq, Syria and Libya. Their own nervousness about the disappearance of Soviet support and their desire to obtain Western development aid may incline them in this direction. Yet policymakers must also remember that these radical states are not merely reacting to U.S. policy but are seeking to fulfill their own ambitions, which often clash with U.S. interests.

There is no urgent U.S. need for rapprochement that warrants making concessions. On the contrary, the radicals' weakness gives them the impetus for reducing tensions. Washington can easily afford patience and maintain its demands that radical forces cease sponsoring terrorism, cooperate in

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reducing the arms race, stop attacking U.S. interests and make peace with Israel in the context of a wider movement toward a negotiated settlement.

An additional consideration is the possibility of U.S.-Soviet cooperation in discouraging aggressive states, instability and arms proliferation. The two powers' parallel interests to avoid escalation and to end the Iran-Iraq War was a useful precedent. While Soviet arms supply policy will be increasingly determined by financial rather than strategic considerations, this obviously does not inhibit the desire to sell state-of-the-art weapons to states that can afford them.

Finally there must be recognition that U.S. Middle East policy has enjoyed a remarkable degree of success in the long run. Despite all the short-run vicissitudes, the United States succeeded in achieving what it set out to do decades ago: U.S. influence has been maintained, a Soviet bid for hegemony has turned back, U.S. commitments to Israel and other allies have been kept, wars and instability have been circumscribed and oil supplies have been preserved. While the United States should be creative in facing the post-Cold War era, the lessons of these accomplishments should be fully appreciated.

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George A. Carver, Jr.

INTELLIGENCE IN THE AGE OF GLASNOST

The political order we have known since the end of World War II is breaking up, and no one—in Washington, Moscow or any other capital—really knows what will replace it. The past nine months bring to mind the 1918–19 period in which an armistice halted the global war that had forever shattered the political order whose foundations were laid a century earlier by statesmen in Vienna; leaders at the ensuing Versailles Conference tried to establish a new and better world. The atmosphere of expectant euphoria was not unlike that prevailing today.

Another arresting parallel could be of even greater consequence. In symbolic importance, future historians may compare the night of November 9–10, 1989, when the Berlin Wall was opened, with October 31, 1517—when Martin Luther posted his Ninety-five Theses on the door of the castle church in Wittenberg. What is happening in Eastern Europe and elsewhere around the world is not just a rejection of Soviet imperialism. It is also a rejection of communism and "scientific socialism"—a twentieth-century secular religion of global scope. The emotions that vented like erupting magma when the Berlin Wall was breached both symbolized and signified a repudiation of that secular faith—along with the allegedly scientific analysis of the human condition on which it is grounded—by the bulk of that religion's supposed converts and beneficiaries.

Martin Luther's action was followed by the turbulence of the Reformation and Counter-Reformation. We may be luckier; but at this stage, the only prediction that one can confidently make about the next few decades is that they will be marked by complexity, by various forms of unrest and by profound, accelerating change.

During those decades, the fact of continuing change—along

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with the need to understand it and perceive the directions it is likely to take—will constitute the U.S. government's greatest single challenge. Helping the nation meet this challenge will be the American intelligence community's primary task over the years ahead. This may be the age of glasnost, but it is also one in which America will need superb intelligence in order to understand, interpret, assess and, where possible, anticipate the changes with which the nation is certain to be buffeted.

II

The foundations of America's current defense and national security structure were laid in the National Security Act of 1947; Section 102 established "under the National Security Council a Central Intelligence Agency [and] a Director of Central Intelligence." From this has evolved the present American intelligence community—of which the CIA is the linchpin and over which the DCI presides as the president's primary adviser on national foreign intelligence. In addition to the CIA and the DCI, the community now encompasses the Defense Intelligence Agency, the foreign intelligence and counterintelligence components of the Army, Navy, Air Force and Marine Corps, the National Security Agency, several Defense Department offices that collect specialized intelligence through reconnaissance programs, the intelligence components of the State Department, the Treasury and the Department of Energy, and the counterintelligence components of the Federal Bureau of Investigation.[1]

The exact size of the American intelligence community is a closely held secret, as is the overall National Foreign Intelligence Program Budget (NFIPB)—which the director of Central Intelligence is charged with developing and then presenting annually to the president and Congress, and of which the CIA's budget is but one component. The intelligence community's overall size, however, is clearly large. Press speculation is that its overall budget lies between seven and eight percent of the Department of Defense's budget of $300 billion, i.e., in the region of $24 billion. This figure invites a certain historical perspective.

A nascent intelligence community in America began with the administration of George Washington. Soon after he became president, Washington asked the Congress for a

[1] This is spelled out, in detail, in Executive Order 12333 of Dec. 4, 1981, which is still in force.

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"competent fund," a request that Congress both understood and granted—with minimal unseemly public debate. On July 1, 1790, it gave the president a "contingent fund of foreign intercourse," known as the secret service fund, used primarily for what would now be called human intelligence activities and covert action. Washington accounted for this fund by simple certificate. This is exactly the same procedure that the Director of Central Intelligence now uses under authorities given him by the Central Intelligence Agency Act.

By 1792 Washington's secret service fund had risen to $1 million—about 12 percent of the total U.S. budget. Twelve percent of the U.S. budget for FY 1990 would be $143.7 billion. If the NFIPB falls near the $24 billion estimate, including technological collection (which accounts for its bulk), it would still fall far short of the relative level of President Washington's intelligence budget. Seen from this perspective, the NFIPB is an enormous bargain indeed.

III

Glasnost has not diminished the U.S. intelligence community's responsibility for monitoring Soviet compliance, or lack thereof, with various treaties affecting America's security and vital interests. The community is already monitoring the 1972 Antiballistic Missile Treaty and the 1987 Intermediate-range Nuclear Forces Treaty; negotiations are currently under way for treaties on strategic arms reductions, the reduction of Conventional Forces in Europe (CFE), reductions in chemical weapons, nuclear testing verification protocols, and an agreement on defense and space. The extent to which Moscow does or does not comply with these treaties remains a continuing litmus test of Soviet attitudes and intentions.

The challenges posed by monitoring treaty compliance will be daunting, and the resource requirements involved—encompassing the full range of American intelligence community assets—will be even more so. In treaty compliance monitoring, up to a point, performance is a function of assets deployed for that purpose and, hence, of cost. The trade-off decisions involved in determining how much money to spend for treaty monitoring—both in absolute terms and in relation to expenditures for meeting other intelligence requirements—are not just technically and economically complex, they also involve political judgments that directly affect U.S. security or even survival.

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Even if the Soviets comply scrupulously with every arms treaty now in force or under negotiation, their remaining strategic weapons capabilities will still be formidable. Should President Gorbachev or his government be ousted, it will be essential for America (and the West) to know precisely what strategic capabilities any Soviet successor would inherit. Also, should there develop any serious threat of internal unrest, division or even civil war within the Soviet Union, it will be crucial to ascertain precisely who, at what echelons of command, can authorize the use of Soviet strategic or tactical nuclear weapons, under what circumstances, and against what targets.

The threat of war in Europe is clearly eroding. Nonetheless, even when (or if) the CFE treaty now being negotiated is fully implemented, the Soviets will still have over five million people in their military establishment—more than any other nation in the world. For all the traditional reasons, it will be important to keep close track of Soviet conventional forces. In addition a particularly sharp eye must now be kept on their cohesiveness and on any signs of division within the country, especially splits along ethnic or political fault lines that produce military officers with personal political ambitions and sufficient troops under their command to pursue those goals.

For nearly seven decades, the Soviet Union was an essentially monolithic, Communist Party-dominated police state in which no dissent was tolerated and in which the government structure was essentially a facade. The study of Soviet politics was largely an esoteric exercise in "Kremlinology." Much of that has now changed, thanks primarily to Gorbachev, who, in his quest for economic improvement, has let many politically potent genies—not all of them benign—out of the bottles into which they had long been corked. Old quarrels are again flourishing—some ethnic, some regional, some both—and new power groups are emerging. Some, such as Russian nationalists and Pamyat, are espousing old, emotionally charged ideas and concepts—including Slavophilia, chauvinistic nationalism, xenophobia and various strains of antisemitism. In addition, the Soviets, who currently have the largest empire left in the world, may be on the verge of a decolonization process akin to that which ended the British, Dutch, French and Belgian empires, amid much strife and discord, during the two decades following the end of World War II.

In some ways, Gorbachev seems bent on making himself the

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kind of reforming ruler that Nicholas II should have been. Many Russian and non-Russian Soviet citizens, however, find Gorbachev's changes decidedly unsettling, especially the Communist Party's *nomenklatura,* whose position and privileges are clearly threatened. The prospect of a new tsar, espousing such reforms, is far from universally welcome. America will need to keep a wary watch on these evolving Soviet political dynamics, carefully gauging their likely impact on the U.S.S.R.'s internal stability and cohesion, its military capabilities and its foreign policies.

Similar attention will need to be paid to the evolving political dynamics of Eastern Europe, in which Soviet rule and communist doctrine have been rejected in a series of—save for Romania—remarkably peaceful revolutions. Here old quarrels are also resurfacing and the course of future events is unlikely to prove smooth. All the new governments now being elected will have to cope with overwhelming economic problems, requiring reforms whose future benefits may be great but whose immediate effects are unlikely to be welcome: unemployment, higher food prices and general inflation.

Western Europe is also rapidly changing, in ways that America may not find entirely congenial. America's European allies see the Soviet threat as dwindling and increasingly see Eastern Europe and the Soviet Union as a source not of danger but of lucrative markets. Within less than five years, major new developments will accelerate these trends. By 1992 the 12 European Community nations plan to become a single market of 320 million people (compared to the U.S. population of 289 million) with an initial gross product, which will doubtless soon soar, of approximately $4.3 trillion—in short, a major new economic competitor for the United States even more formidable than Japan.

In ways not currently predictable, the course of Western Europe's political and economic evolution will also be significantly affected, if not determined, by the new "x-factor" in the European equation: German unification. The Germany that joins the Europe of 1992 will not be the Federal Republic but, instead, a united Germany with a population of almost 80 million—half again that of either Great Britain or France—and a GDP almost as large as that of Great Britain and France combined. Whether European union will engage and harness Germany's power in ways beneficial to all or serve as a vehicle for projecting it will be the great political question of the late

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1990s. No aspect of the European political scene will require more careful, constant attention on the part of the United States than the ramifications of this new Germany's evolving attitudes, policies and behavior.

So far, the changes occurring across Europe and the Soviet Union have had little effect in other parts of the world. In the not-too-distant future, however, changes are certain to occur in Asia, southern Africa and elsewhere. These changes and their consequences are not now possible to predict, but the United States will also need to be alert to them.

IV

The inherent risks of unrest are increased by the fact that, as the Soviet military threat recedes, a grim new threat is emerging around the globe: the proliferation of nuclear, chemical and even biological weapons capabilities in the Third World, along with ballistic missiles and other extended-range delivery systems.

This disquieting proliferation of weapons of mass destruction and delivery systems is only the tip of a growing, menacing iceberg. There is a matching, even more widespread proliferation of nonstrategic but nonetheless decidedly lethal military technology and weaponry—including such things as SA-7 missiles, which were designed for tactical use against helicopters but can also easily be used by terrorists against passenger-carrying commercial aircraft.[2] As the possibility, let alone likelihood, of general war in Europe rapidly wanes, the potential for fierce and violent regional conflicts in other parts of the world is growing. It would be folly for America not to monitor these disturbing and destabilizing trends as closely as possible; because of them, America's "indications and warning" equations will have to be rewritten.

For the last four decades, the United States has concentrated its I&W efforts on the Soviet Union and the Warsaw Pact, focusing particularly on the European central front. This general watch should not be abandoned, but the effort now needs to be spread around the globe. Intelligence must be able

[2] Some of this proliferating weaponry and technology is of Soviet provenance, though weapons of Soviet origin are often modified and improved by their current owners. Many of these weapons come from China, which is an aggressive exporter of military hardware; some are American-made, while others are a heterogeneous mixture of weaponry manufactured in a variety of Western countries and peddled worldwide by arms merchants of many nationalities.

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to pick up any hint that, for example, Iraq may be on the verge of launching a weapon of mass destruction against Iran or Israel—or vice versa—or that India (which probably has a nuclear weapons capability) and Pakistan (which has been striving mightily to develop one) are about to tangle over Jammu and Kashmir. In addition this expanded I&W net will need to be supplemented with a worldwide, continuously updated baseline that can be quickly augmented, with respect to a specific area, whenever the United States needs to know a great deal on short notice about any spot on the globe that did not previously figure prominently in U.S. policy concerns but suddenly takes center stage.

Economic and technological prowess are becoming more significant measures of national strength and importance than the traditional measures of military power. In most of the world, though unfortunately not all of it, economic competition is replacing military competition—a shift that does not necessarily make the world any less Darwinian or more benign, since economic competition is often waged just as fiercely as military competition ever was.

The place of economics at the intelligence table must now be moved well above the salt. Economic developments, furthermore, can no longer be considered in relative isolation; the web of economic, military and other factors directly affecting America's national interests and security is becoming seamless. In this fact lie some major conceptual, procedural and organizational challenges for American intelligence and the government it serves.

Involved here is an awkward question that few want to face: What effective use can the U.S. government make of its economic intelligence to further America's overall economic and national interests? In the American polity, there is a legally mandated arms-length relationship between the government and the private sector. There are also limits imposed by statute on the degree of cooperation—even information exchange—permitted among private-sector elements. Few of America's foreign economic competitors have such barriers, and some of its strongest competitors—notably Japan—consider them absurd.

Many Americans, in both private and public life, would consider it highly improper, or worse, for the U.S. government to use its intelligence assets to advance the overseas fortunes of specific American companies. All of America's

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major foreign competitors, however, consider this attitude quaint or idiotic. The full weight of their governments' diplomatic and intelligence resources are frequently thrown behind their nationals' companies or consortia, especially ones in heavy offshore competition. Indeed, when a British company was competing a few years ago for a major Saudi contract, which it eventually won, even Queen Elizabeth II was flown to Riyadh for a fortuitously timed state visit.

Furthermore, as Senator David Boren (D-Okla.), the chairman of the Senate Select Committee on Intelligence, recently noted:

> An increasing share of the espionage directed against the United States comes from spying by foreign governments against private American companies aimed at stealing commercial secrets to gain a national economic advantage.[3]

Imagine the firestorm that would be ignited if the American government was ever caught sharing intelligence-garnered data with private U.S. corporations—let alone running intelligence collection operations against, say, Mitsubishi on behalf of General Motors or AT&T.

Economics and technology are closely interrelated. But there is a separate governmental concern about technology in general and, in particular, about technological breakouts that could have a major economic, political or military impact. To cite but one example illustrating the magnitude of the stakes involved, developments in directed-energy technology—which makes charged particle-beam weapons, including laser guns, feasible and usable on the battlefield, a realm in which the Soviets have been working intensively for decades—would have a military impact as revolutionary as the advent of the machine gun or nuclear weapons.[4]

Such concerns are by no means limited to the military sphere. In the government and private sectors, experts in computer security are already increasingly worried about the vulnerability to penetration and manipulation of computer systems and networks, even at the present level of technology—particularly since amateur computer hackers

[3] These remarks were made to the National Press Club on April 3, 1990.

[4] This possibility is carefully assessed by Lt. Gen. Leonard H. Perroots, USAF (Ret.), the former head of the Defense Intelligence Agency, in "Soviet Beam Weapons are Near Tactical Maturity," *Signal*, March 1990, pp. 37–39.

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have already penetrated or planted "viruses" in interlinked academic, commercial, governmental and military computer networks, some of them worldwide. Consider how fast technology is advancing in this particular field, then ponder the havoc that would be wrought by a covert penetration and manipulation of the globe-straddling, interlocked computer networks through which the bulk of the world's financial business is now handled.

Technological innovations and breakthroughs are pouring out from laboratories and individuals in the public and private sectors of not only the United States but also Japan, Asia's "four tigers," Western Europe and many other places around the globe. Monitoring and, where possible, anticipating new technological developments—keeping track of what is coming down the pike that could significantly affect the security, economic or other national interests of the United States, for good or ill—is clearly now one of the U.S. intelligence community's chief responsibilities.

New governmental, hence intelligence, concerns are proliferating. Some—such as terrorism and narcotics traffic interdiction—are well known; others are seldom considered in this context. For example, environmental issues may seem far removed from the world of intelligence, but they are of growing concern to the United States and to people around the world. In this area, the American intelligence community can do much to help monitor international compliance with environmental agreements or treaties, to spot and track such things as oil spills and deforestation and, in general, to support the U.S. government's plans on a wide range of environmental concerns.

Over the next few decades, not only will traditional concerns change and new ones arise, they are also likely to coalesce in potent, unprecedented combinations. During this period, for example, America's greatest challenges may not come from across any ocean lying to its east or west. Instead they may well come from the south, in a manner that obliterates such tidy classical distinctions as those between foreign and domestic affairs. Unrest in South and Central America and Mexico, the ramifications of drug abuse and narcotics traffic, the pressure of immigration—much of it illegal—and attendant pressures for biculturalism and bilingualism could easily strain America's democratic polity more severely than any time since the Civil War.

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Finally, no matter what else happens in the years immediately ahead, America's government—including its intelligence community—will have to grapple with the conceptual and organizational challenge posed by the extent to which traditional, jurisdiction-defining distinctions are being eroded: not only foreign versus domestic, but also economic versus political, military versus civilian, intelligence versus police responsibilities, federal versus state and local responsibilities, private versus public or governmental and, even in the foreign affairs field, friend versus foe.

There are those who argue that in the age of glasnost and FAX machines, there are no more secrets in the world, hence far less need for intelligence, and that the size, scope and cost of the U.S. intelligence community should be curtailed accordingly. Nothing could be farther from the truth. Some of the challenges that the United States will face are not, strictly speaking, intelligence problems. All of them, however, have a significant intelligence dimension and involve problems to whose amelioration or solution intelligence can make a significant contribution. In sum, this new era's demands will dramatically increase the need for better intelligence—not diminish it.

V

To adapt to this new era and meet its challenges, the American intelligence community—along with its political masters at both ends of Pennsylvania Avenue—will need to do some radical rethinking about its missions and the approaches, methods and techniques employed in discharging them; about relevant budgetary, structural and organizational considerations; and far from least, about how oversight can be conducted so that the community can be properly supervised and controlled but, at the same time, be optimally effective.

This top-to-bottom reexamination needs to begin with the first stage in the intelligence process: collection. American intelligence services collect raw data and information by using a range of methods and techniques bounded only by human imagination, ingenuity and the frontiers of current technology. Conceptually, a division between the human and the technical collection methods may be useful to help understand what is involved, but such a division is often vague and potentially misleading. Human and technical collection methods are complementary, not rivals. Both are indispensable.

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Technical collection encompasses signals intelligence, electronic intelligence and imagery derived from satellites in space—designated by the euphemism "national technical means"—and from a variety of other airborne-collection platforms and ground facilities. In recent decades, technology has revolutionized intelligence collection, making routine what was previously, quite literally, unthinkable. Technical collection methods are unrivaled for answering the "what" or "how many" questions—e.g., precisely how many tanks or missiles, of what types, are located where? Without national technical means, compliance with strategic and conventional arms treaties could not be effectively monitored. Technology, however, is much less useful in answering the "why" questions—e.g., why were tanks moving into Lithuania?

Technological collection has other limitations, many of them rooted in laws of physics. Most of America's current technical intelligence collection systems, for example, were designed and deployed when the Soviet Union was the community's primary target and Europe's central region the main focus of its I&W effort. This interlocking network will have to be massively and expensively reprogrammed if it is to be used with optimum effectiveness to monitor targets that have recently moved up on the scale of priority concerns, such as the eruption of conflict in places distant from Europe's central region, and the proliferation of sophisticated military technology and weaponry throughout the Third World, including many places in the southern hemisphere. The orbits and, therefore, the coverage of satellites and the directional orientation of many ground-based technical collection systems cannot be easily or cheaply altered by simply twirling a few dials.

There are many important intelligence tasks that only humans can perform, or can perform far better than any distant technical collection platform. No satellite can sense the mood and pulse of a bazaar, a foreign capital, a restless province or of disaffected dissidents. Satellites can sometimes relay but can never provide the qualitative insights or judgments that can only come from humans. They cannot discern or divine intentions, or provide the background and perspective that enable American intelligence analysts to assess and evaluate what the information provided by national technical means actually adds up to—only the right sort of properly placed human sources can really do that. Only humans, furthermore, can provide detailed information on such things

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as the composition and action plans of terrorist groups or of narcotics traffickers.

Human intelligence collection and other operations do not break neatly into "overt" and "covert" compartments. They span a spectrum that ranges from using one's own eyes and ears while engaged in perfectly open, lawful activities, or encouraging others to do the same, to classical espionage operations conducted with the full panoply of clandestine tradecraft. The various portions of this spectrum are not sharply demarcated, for one blends almost imperceptibly into the next. In this era of glasnost, American intelligence managers and operations officers will need to concentrate a lot more on the front or open end of this human activity spectrum, while not neglecting the back end for situations in which, or targets against which, clandestine collection is indispensable.

The need for intelligence derived from human sources will not diminish, but the focus of many collection efforts will have to be shifted as formerly denied targets become readily accessible. Only when easy, open sources prove insufficient, or clearly require cross-checking—and national technical means require augmentation—should American intelligence managers begin to think about other collection methods. There will be such times and occasions, however, in many situations and at many places around the globe.

The ways in which human intelligence activities are conducted will also have to be drastically revised to increase their chances of success in this new environment, and to minimize the risks of embarrassing failures that could easily prove disastrous for all parties involved. In the past, for example, language training has all too often been sacrificed on a variety of other bureaucratic altars; in the future, it will simply not be possible for American intelligence officers to function effectively unless they are completely comfortable in the language of their country of assignment—plus the native language(s) of whatever sources they are trying to cultivate or direct. Effective intelligence officers of the 1990s will also need to develop new areas of expertise, such as a detailed knowledge of international finance, especially the mechanics of quickly transferring large sums of money in ways that draw minimal attention to the transfers—i.e., techniques employed by terrorists, narcotics traffickers and others who need to move or launder money discreetly.

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No matter how information is collected or from whom, it is analysis that refines that raw data and distills it into intelligence. The analytic and estimative function is central to the intelligence process; that function is one of the American intelligence community's prime reasons for existence, and ensuring that it is performed well in this new era will be another major challenge for that community's leaders and managers.

Analytic bureaucracies find it hard to adapt, as do many individual analysts, to radical change of the sort that we can expect in the coming decade; the change will invariably cut across traditional organizational lines and entrenched turf boundaries, it will force a rethinking of concepts and intellectual compartments in both organizations and individuals, and also will cast doubt on or scuttle fundamental, sometimes cherished assumptions. Over the years ahead, for instance, American intelligence analysts and their supervisors should periodically reflect on what short shrift would have been given in the spring of 1989 to any intelligence estimate correctly describing what the world looked like in the spring of 1990.

American intelligence analysts now have to cope with a torrent of information and data. Amid an exponential proliferation of satellites and fiber optics, interlinked computers and data bases, modems and FAX machines, 24-hour cable news, and the opening of areas, subjects and all manner of sources that until recently were shielded, proscribed or denied, these analysts are becoming information junkies, never far from an overdose. If effectively harnessed and channeled, then astutely exploited, this new information and data flood can dramatically improve the quality and accuracy of American intelligence assessments and estimates on all manner of crucially important subjects; but it creates new complexities as fast as it clarifies old mysteries. In a flood, furthermore, it is easy to be overwhelmed and drowned if one is not both sensible and careful.

America's intelligence community has been excellent in addressing many problems, such as keeping track of the Soviet Union's evolving strategic weapons capabilities, but its analysts should never forget that the methods and approaches that work so well in tackling those problem are frequently inappropriate for assessing, let alone predicting, emotion-driven, political upheavals such as the events of 1989. Such situations do not lend themselves to quantification, and they become

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totally distorted if forced into a conceptual matrix better suited to assessing missile telemetry data. If American intelligence analysts—or academics or citizens—want to understand and assess the historic political tide shifts in which the world is currently immersed, they must ignore their itch for quantification, curb their fascination with models that bear minimal relation to reality and avoid the temptation to use bad data (such as Soviet economic statistics) simply because it exists and can be run through computers.

VI

The Cold War may be ending, but there is no détente in the intelligence war. Without any noticeable reduction of effort against its traditional targets—such as American officials abroad or anything relating to American cryptographic and communications intelligence capabilities—the KGB is markedly intensifying its efforts to acquire Western, particularly American, technology. In recent months, the KGB's East European subsidiaries, long active in technology-oriented espionage targeted against the United States, have been in considerable disarray, for obvious reasons. Any slack in this regard, however, has been taken up by increasing and progressively more sophisticated attempts to acquire American technology. These attempts are mounted not just against U.S. government facilities but also directly against American corporations, by a number of nations—including some of America's closest allies.

In this sphere, judgments are necessarily impressionistic because the current level of espionage directed against the United States is impossible to quantify in any meaningful way. Criminal indictments, for example, provide only a rough and potentially misleading index of that level—particularly because indictments frequently come long after the fact of damage.[5] Indictment data, however, highlights one significant fact: the spies, including the Soviet spies, of the immediate postwar era (e.g., the Rosenbergs) were largely motivated by ideology; the current crop seems primarily motivated by greed and ego-gratification.

In any event, counterintelligence and police work are not the same, though they are often confused. The principal objective of counterintelligence is prevention, not detection

[5] Ronald Pelton had been spying for years and John Walker for decades before either was detected and indicted.

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and punishment after the fact. This precept sounds fine in theory, but it is not easy to apply in a society such as the United States, with a legal system grounded in the doctrine of presumption of innocence.

As even a hasty scan of recent American newspapers and television news clearly indicates, America's counterintelligence effort is in considerable disarray and need of improvement. It is hampered by bureaucratic bickering and turf battles, a security classification system run amok, a similar overload in security clearances and assorted other problems that make genuine secrets difficult to protect. In this sphere, however, there are no simple or inexpensive quick fixes, or any fixes likely to win universal approbation.

What is required as much as anything else to improve America's counterintelligence capabilities is a frank, frontal and concerted address by appropriate elements of the intelligence community, the rest of the executive branch and Congress to the thorny administrative, bureaucratic, legal, constitutional and philosophical issues involved in conducting counterintelligence in a free, open society. Such an approach is necessary to strike a balance that enables that society to protect itself effectively without, in the process, changing its nature.

VII

Another important American intelligence community function is as controversial as some aspects of counterintelligence: covert action—a term of such broad scope that it is impossible to define with precision. It encompasses everything from encouraging a foreign journalist to write a story or editorial to supporting, even guiding, fairly large-scale military activities in foreign lands (e.g., Afghanistan). Covert action's purpose is to influence the behavior or policies of key foreign individuals, groups and nations, and the course of events in foreign areas, in ways that further the interests of the nation mounting the covert action in question, but also in ways that mask that nation's hand and enable its involvement to be denied or at least officially disavowed. Perhaps the best way to understand covert action is to think of it as a form of international lobbying that is, ideally, discreet and unadvertised—even if often not truly "covert."[6]

[6] This section draws extensively on the author's March 10, 1988, testimony, on H.R. 3822, to the Subcommittee on Legislation of the U.S. House of Representative's Permanent Select Committee on Intelligence.

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Intelligence activities, generally, are not easy for an open, democratic society to conduct effectively, especially in peacetime. For a society such as America's, covert action raises particularly difficult questions—ones that have no universally satisfactory resolutions, let alone any simple answers.

This does not mean, however, that the United States should pass any self-denying ordinance. Covert action is a fact of international life. It is something that virtually every nation in the world attempts, and some of America's closest allies, such as Israel, are among its most indefatigable practitioners. Covert action should, however, be used very circumspectly, far more so than it sometimes has been—as the Iran-contra affair demonstrated all too clearly. When astutely employed, covert action can be a very useful, effective adjunct to policy; it can never be a substitute for policy or for thought.

The current euphemism for covert action is "special activities," which Executive Order 12333 explicitly tasks the CIA with conducting, after presidential approval.[7] This is an important CIA function, but an ancillary one—as highlighted by the current Director of Central Intelligence's statement that covert action represents about three percent of the agency's total expenditures and about 99 percent of its total problems in terms of congressional and media interest.[8]

"Special activities" should not be confused with "special operations," such as hostage or hijacked aircraft rescue missions, for which the president would now call on the Defense Department's Joint Special Operations Command (USSOCOM)—a relatively new command established to handle such contingencies and to prevent any future hostage rescue disasters, such as the 1980's ill-fated Operation Desert One in Iran.[9] Few Americans would strongly oppose and many would warmly welcome special operations that rescued hostages and punished hostage-takers or terrorists for their actions, particularly if their depredations were then curtailed—as Muammar al-Qaddafi's support of terrorism was curtailed after the U.S. raid on Tripoli in April 1986.

The Panama incursion (Operation Just Cause) that ousted

[7] In fact that executive order explicitly states that in peacetime: "No agency except the CIA . . . may conduct any special activity unless the President determines that another agency is more likely to achieve a particular objective." Section 1.8(e), E.O. 12333, Dec. 4, 1981.

[8] Judge William Webster, in a March 30, 1990, speech at American University.

[9] A "special operation" would now normally be executed by an appropriate USSOCOM task force, tailored for that purpose, operating under U.S. command.

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General Noriega was not a covert action by any stretch of the imagination, nor was that incursion itself a special operation, though special operations—mounted by USSOCOM elements—were used with considerable effect during its course. A strong argument can be made, however, that it would have been wiser and considerably more humane to have achieved the same result—Noriega's ouster and capture—via a special activity. During the invasion, 543 people lost their lives. With the wisdom of perfect hindsight, it might have been preferable for the United States to have given events a slight nudge during the October 1989 coup attempt, which for a time seemed on the brink of success. In coups, of course, lead flies around. There is no telling in advance precisely who is going to get in its way, and people do get killed—sometimes including the person being ousted. This fact raises the question of "assassination"; in a coup, at least the casualties are usually measured in single digits, or in the low double digits—not in hundreds killed and thousands wounded.

Covert action (in the special activities sense) does not always have a military dimension. For example, it was used quite peacefully but with great effect in Western Europe during the late 1940s and early 1950s to give democratic forces a helping hand in their efforts to keep their nations from following Czechoslovakia into the Stalinist orbit. The subsequent democratic evolution of Western Europe owes a great deal to these nonmilitary "special activities."

On Capitol Hill and elsewhere, there is a continuing urge to "fix" covert action—and in some quarters, to fix it permanently. Extreme care should be taken, particularly by Congress, to ensure that any such fixing does not inadvertently hamper the CIA's and the American intelligence community's ability to perform their primary mission of collecting information, producing intelligence and then disseminating it to those in the executive and legislative branches of government who need it—for example, by putting sensitive intelligence sources and methods at risk.

Covert action should never be undertaken lightly. In the wake of the Iran-contra affair, procedures were specifically designed to prevent it from being so taken again. Many covert actions are controversial, as is—in some quarters—the very concept of such actions, but even the members of the congressional committees investigating the Iran-contra affair agreed and explicitly stated that "covert operations are a necessary

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component of our nation's foreign policy."[10] This essential tool of statecraft should not be blunted or the president denied essential flexibility in its exercise.

VIII

Meeting America's intelligence requirements over the decades ahead will be very costly. In the executive branch and on Capitol Hill, in the media, in academia and elsewhere in the American body politic the battle lines are already forming between those who recognize these realities and those who are beginning to beat the drums for a "glasnost dividend" in the shape of a sharp reduction in the U.S. government's intelligence effort and expenditures, now that the Soviet threat appears to have diminished.

In this context, a related problem is already arising and is certain to get worse. For a variety of good reasons, most of them security-related, the bulk of the U.S. intelligence community's budget (including the CIA's) is discreetly tucked into various components of the Defense Department's budget, which is certain to be trimmed, perhaps drastically. As this happens, there will be a concomitant increase in the stridency of cries already being heard in the Pentagon, on Capitol Hill and elsewhere, urging that the intelligence community take its proportionate share of cuts in the defense budget.

This would be folly. As America's current defense capabilities decrease, more—not less—intelligence will be needed. America's early-warning capabilities, of all kinds, will have to be enhanced to minimize and offset the risks that cutting defense capabilities will inevitably entail. Intelligence, for America, is a vital form of insurance; in an era in which risks are proliferating, insurance is the last thing that should be curtailed.

In any event, whatever is done with the American intelligence community's budgets, two things must not be done. Human intelligence activities, plus analyses and estimates prepared by human beings, constitute only a small fraction of the U.S. intelligence community's budget—the bulk of which is consumed by big-ticket, high-technology collection systems. During the years ahead, far more human activity, including analysis, is going to be needed—not less. Furthermore this is a

[10] *Report of the Congressional Committees Investigating the Iran-Contra Affair*, House Rept. No. 100–433, Senate Rept. No. 100–216, Washington: 1987, page 383.

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sphere in which a relatively modest supplement or cut in funding, measured in five, six or seven digits, not nine or more, can make an enormous difference, for good or ill. If America is to have the intelligence capabilities that it will need, funds for human activities of all types must not be squeezed or devoured by the insatiable budgetary demands of technical collection.

Second, the future must not be mortgaged by making it hostage to cuts that are politically appealing in the short run, but wreak long-term havoc. Whether technical or human, intelligence capabilities frequently take years to develop—with a high correlation in both spheres between productive importance and lead time.

Through four tumultuous decades, the American intelligence community's basic structure has admirably weathered the test of time. The future's escalating requirements and new demands, however, will put appreciable and novel strains on that structure, which needs some repairs and, in places, shoring up. Though the last thing the U.S. government can afford at this juncture in world affairs is the trauma and disruption of a root-and-branch intelligence reorganization, some of the necessary shoring up and repairs will not be easy to commission or complete under present arrangements.

To make the intelligence community's activities sufficiently cost-effective to compete successfully for the resources that community will need, the managers who are accountable to the president and Congress, starting with the Director of Central Intelligence, must regain something that they do not now have: control, reinforced by an authority commensurate with their responsibilities. Involved here are many thorny problems that the community and its head, the DCI, cannot solve alone—particularly since several of the thorniest problems, which have been ignored or papered over for decades, involve the relationship between the DCI and the Secretary of Defense, with respect to those intelligence community components or assets that are part of the Defense Department. It will take the combined efforts of the president and Congress to untangle or cut some of these time-hardened Gordian knots. Now, however, is an optimum moment for tackling this essential task. On Capitol Hill, both oversight committees currently have wise and sensible chairmen and ranking minority members; the current occupant of the Oval Office, a former DCI, is a president with a grasp of intelligence realities derived from

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personal experience in managing a broad range of intelligence activities.

IX

One era in world history is clearly ending with another about to begin; neither the course nor the shape of that new era is yet determined or now discernible. History never repeats itself, but it has thrust a heavy burden on the American people and their elected leaders.

Seven decades ago, in 1919–20, their predecessors had a golden but transient moment of opportunity. By acting wisely, they could have taken the lead in laying the foundations of a far better, happier and freer world order. That moment was squandered—with tragic results. Now another such moment has miraculously arisen, and it must not be squandered as well. Helping prevent any such tragedy is a task and responsibility to which the American intelligence community must now devote all of its skill, energy and resources.

The 1990s will be rife with dangers and risks, which could easily make the early decades of the 21st century even worse than the middle decades of this century. To act wisely at this critical juncture in world history, America's leaders will need, among other things, the highest degree of intelligence support and assistance attainable. This is a need that must be met at whatever cost. The United States cannot afford to stumble as blindly into this century's final decade as it did into the 1930s. Nor can a nuclear world afford, at this historic turning point, to have America stumble in that fashion once again.

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COMMENT AND CORRESPONDENCE

THE BALTIC DILEMMA

To the Editor:

The United States finds itself faced anew with what has been called the "Baltic dilemma." This problem currently is perceived as a choice between support for the moral precept of Baltic self-determination or the more pragmatic policy of quietly endorsing Mikhail Gorbachev as he endeavors to open Soviet society without dismembering his nation.

In his article "Post-Communist Nationalism" (*Foreign Affairs*, Winter 1989/90) Zbigniew Brzezinski raises some questions relevant to this current U.S. policy problem: "Is the secession of some or all non-Russian nations from the Soviet Union something the West ought to encourage? Should we discriminate in that regard between the various Soviet nations?"

Two important factors must be weighed in answering these questions. First, the United States and most other European nations have never recognized de jure the illegal annexation of the Baltic states into the Soviet Union in 1940. Second, the Hitler-Stalin pact of 1939 was not necessarily the final determining factor in the fate of the Baltic states; the unique role of the Baltic states in the Big Three political arena during and after World War II should not be ignored.

The nonrecognition of the legality of forcible seizure of territory has long been an important and an integral part of international law's framework. The concept of nonrecognition is rooted in part in the Stimson Doctrine of Non-recognition of Forcible Seizure of Territory, enunciated by the U.S. government in June 1932 in response to the actions of Japan in China. The nonrecognition policy conforms to the principle that illegal acts should be barred from producing legal results. It follows, then, that the question of the Baltic states is not a matter of secession at all, but rather of the restoration of territorial sovereignty from foreign occupation.

The nations in the vicinity of Nazi Germany and the Soviet Union were in great danger at the outset of World War II. The Stalin-Hitler pact precipitated much of the hostile action of these two tyrannies. Western powers, however, initially did little but condemn Soviet and German aggression. President Roosevelt implemented a "moral embargo" against the Soviet Union in December 1939 after its unprovoked attack on Finland. Then after the German invasion of Denmark and Norway, Roosevelt proclaimed, "If civilization is to survive, the rights of smaller nations to independence, to their territorial integrity and to the unimpeded opportunity for self-government must be respected by their more powerful neighbors."

Sumner Welles, then Roosevelt's undersecretary of state, issued a similar statement condemning Moscow's deliberate "annihilation of the political independence and territorial integrity of the Baltic states." Later Welles announced that due to the nonrecognition policy the United States "should continue to recognize the ministers of the Baltic republics as the ministers of sovereign governments now under stress," and Baltic gold assets were

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frozen in U.S. banks. To the continued consternation of the Kremlin, these Baltic diplomatic offices are still recognized by the United States even today.

The Soviet Union itself has often sought to remove the Baltic issue as an obstacle to better relations with the United States. In December 1940 Stalin's foreign minister, Vyacheslav Molotov, asked the U.S. ambassador to Moscow if the Baltic question could not be settled separately, since Molotov considered it to be the "most important issue between the United States and the Soviet Union." In February 1941, however, Undersecretary Welles suggested to the Soviet ambassador to the United States that the Baltic issue "be considered in the class of insolvable problems." The Soviet ambassador would not settle for such a stalemate and warned that Roosevelt's failure to resolve the Baltic issue could only "add acid" to U.S.-Soviet relations. Welles, annoyed by the remark, said the United States would never attempt to "purchase the friendship of any country by recognizing the right which it did not regard as legitimate and justifiable."

Later Stalin again tried to legitimize the Soviet hold on the Baltic states. In December 1941 Molotov confronted the British foreign secretary, Anthony Eden, with Soviet conditions for cooperation with Allied forces. The British were asked to recognize in a secret treaty the "1941 frontiers" of the Soviet Union, which included the Baltic states and other territories divided up by the secret protocols of the Stalin-Hitler pact. In order to gain the confidence of Stalin and "preserve the East-West alliance," the British cabinet, with Prime Minister Winston Churchill dissenting, were willing to sacrifice the Baltic states, but not without the consent of the United States. The United States would not agree to the Soviet Union's demands. Opposition to the British position was especially strong in the State Department. Welles, for example, characterized the British attitude as "not only indefensible from every moral standpoint, but likewise extraordinarily stupid." Because of the strong U.S. opposition, the Anglo-Soviet treaty was signed in May 1942 without mention of the vexed Baltic issue.

As the war went on, however, Roosevelt's main concern was in establishing a working and friendly relationship with Stalin. With this aim in mind the president's views on international affairs became more ambivalent and compromising. By early 1943 Roosevelt abandoned the fight over the Baltic issue. But Stalin had made the Baltic states and the "1941 frontier" issue a test of the West's resolve to uphold the principles of the Atlantic Charter. At the Moscow and Tehran conferences, when Nazi armies were still deep inside the Soviet Union, Western leaders failed that test as the Baltic states passed from a hotly debated issue to one destined for oblivion, never to be raised again in subsequent Big Three conferences in Yalta and Potsdam. Even though de jure recognition of the annexation of the territories in question was never granted, the acquiescence of Western leaders represented an unquestionable compromise of Atlantic Charter ideals.

After the war the issue of the Baltic states surfaced publicly for the first time in 1952, when President Truman spoke out on their illegal seizure. It was elucidated, however, in great detail in a secret National Security Council document, NSC 20/1, drafted in 1949 by the policy planning staff headed by George Kennan. This document also represented the most

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comprehensive exposition up to that time of the new policy of containment in regard to the Soviet Union:

> We are confronted, however, with a more difficult problem in the actual extensions of the borders of the Soviet Union which have taken place since 1939. In . . . cases [such as] the Baltic countries, the question is more difficult. We cannot really profess indifference to the further fate of the Baltic peoples. . . . It should therefore logically be considered a part of U.S. objectives to see these countries restored to something at least approaching a decent state of freedom and independence.

The Baltic issue surfaced and disappeared more or less with the ebb and flow of the Cold War. But a comprehensive investigation of the circumstances leading to the loss of independence by the Baltic states took place in Congress in 1953, when a special House of Representatives committee conducted hearings on their annexation. On the basis of accumulated documentary and oral evidence the committee concluded: "The evidence is overwhelming and conclusive that Estonia, Latvia, and Lithuania were forcibly occupied and illegally annexed by the U.S.S.R."

Even at the height of détente in 1975, the Helsinki accords did not "legalize" the annexation of the Baltic states by the Soviet Union. (The Helsinki accords were the culmination of Brezhnev's attempt to legitimize the postwar frontiers of Eastern Europe.) Before leaving for Finland to sign the agreement, President Ford declared: "Our official policy of nonrecognition is not affected by the results of the European Security Conference. There is included in the declaration of principles on territorial integrity the provision that no occupation or acquisition of territory in violation of international law will be recognized as legal."

Most recently, for the seventh consecutive year, Congress designated June 14, 1989, as "Baltic Freedom Day," and requested that the president issue a proclamation in observance of the event. In response, President Bush stated, "The government of the United States does not and will not recognize the unilateral incorporation by force of arms of the Baltic states into the Soviet Union. . . . We express our solidarity with them and call upon the Soviet Union to listen to their calls for freedom and self-determination."

The Baltic states have been a dilemma not only for the United States but also for the Soviet Union. But as undistorted history has been allowed to unfold in the Soviet Union, it has become apparent that the annexation of the Baltic states was indeed an illegal act, as proclaimed en masse by the voice of the Baltic people today. The only face-saving way for the Soviet Union to rid itself of the last vestiges of Stalinism is to give the Baltic states back their freedom. For its part, the United States should demonstrate moral courage and speak out for the principles upon which this nation was founded. The United States must not allow the Soviet Union and Gorbachev to hold the Baltic states hostage to improved East-West relations. Only freedom and independence for the Baltic states can eliminate the dilemma for both sides.

MARIS MANTENIEKS
Vice President,
Baltic American Freedom League
Brunswick, OH

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RECENT BOOKS ON INTERNATIONAL RELATIONS

Edited by Lucy Edwards Despard

General: Political and Legal

Andrew J. Pierre

DIPLOMACY UNDER A FOREIGN FLAG: WHEN NATIONS BREAK RELATIONS. Edited by David D. Newsom. Washington: Institute for the Study of Diplomacy, Georgetown University, 1990, 126 pp. $9.95 (paper).

This gem of a book explores a hitherto neglected but most significant diplomatic activity. For over a century, when nations have broken diplomatic relations other states have been asked to represent them as a "protecting power" or to provide "good offices." In recent years this practice has been expanded to the creation of "interest sections," manned by nationals of country *x* in the embassy of country *y* in the capital of country *z*. Thus American diplomats have worked in the Swiss embassy in Havana, for example. The excellent case studies in this volume are all written by experienced diplomats and have a practical tone and the ring of authenticity. They make clear that the essential task is the maintenance of communication. The editor is one of America's most experienced professional diplomats, under secretary of state for political affairs during the Iran hostage crisis and ambassador to Libya, Indonesia and the Philippines.

COUNTENANCE OF TRUTH: THE UNITED NATIONS AND THE WALDHEIM CASE. By Shirley Hazzard. New York: Viking, 1990, 179 pp. $17.95.

There are not many critical appraisals of the United Nations as seen from within its international secretariat. Novelist Shirley Hazzard worked at the U.N. for ten years. Unfortunately, the book is a diatribe so shrill that it loses credibility even if many of its observations may be fundamentally correct. If even half of what she says about the lack of integrity within the organization is valid, the rot within its upper echelons is deep and pervasive. Hazzard is especially critical of Waldheim, seeing him as "uninspired, officious and essentially trivial." Perhaps that is right, but in this book Dag Hammarskjold comes out only a little better.

WARPATHS: THE POLITICS OF PARTITION. By Robert Schaeffer. New York: Hill and Wang, 1990, 306 pp. $22.95.

The division of states—as in Korea, Vietnam, India-Pakistan-Bangladesh—was advanced as an equitable way of devolving political power to competing national groups. But, this work argues, it has frequently resulted in new conflict and sometimes great-power intervention. In this original and broadly sweeping analysis, the author presents the basis of what might be a theory of partition and makes a strong case against the separation of peoples as a solution to group conflict.

ON POLITICAL WAR. By Paul A. Smith, Jr. Washington: National Defense University Press, 1990, 279 pp.

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The author rightly views political competition as one form of conflict between nations. Focusing on the uses of propaganda for political purposes, the reader will acquire a new sense of both its utility and its limitations. What is distinctive and interesting about this book is its historical perspective. The opening chapters deal with antiquity, the Reformation and the Napoleonic era; the closing pages cover the Cold War.

FROM THE FINLAND STATION: THE GRAYING OF REVOLUTION IN THE TWENTIETH CENTURY. By Theodore S. Hamerow. New York: Basic Books, 1990, 386 pp. $24.95.

The title is intended to suggest a sequel to Edmund Wilson's classic account of the rise of socialism in Europe in the two hundred years prior to the Russian revolution. This work analyzes the life-cycle of the twentieth-century communist revolutions, not only in the Soviet Union and China but also in Cuba and Vietnam, and the erosion of communist ideology in current times.

General: Military, Technological and Scientific

Gregory F. Treverton

RESTIVE PARTNERS: WASHINGTON AND BONN DIVERGE. By W. R. Smyser. Boulder (CO): Westview Press, 1990, 166 pp. $18.95 (paper).
HELMUT SCHMIDT UND AMERIKA: EINE SCHWIERIGE PARTNERSCHAFT. By Barbara D. Heep. Bonn: Bouvier Verlag, 1990, 366 pp.

Smyser, one of the wisest German hands in the foreign service when it still had such, wrote before the dramatic events of last autumn, but his focus on the possibility of real change in German-American relations is still apt. His overview essay poses the dilemma Germans now confront: "They have not yet calculated how to conduct an opening to the East without losing their backing in the West." One of Smyser's themes—the instances of miscommunication when the interests of the two countries were not sharply opposed—is the subject of Barbara Heep's detailed account of Helmut Schmidt and three American administrations. Heep is one of America's best young students of Germany, and she thoughtfully assesses West Germany's influence on American security policy. The assessment poses the puzzle of why Schmidt's relations were so much better with conservative U.S. administrations than with the one, Jimmy Carter's, that an observer might have thought most congenial to his politics.

BETWEEN THE BLOCS: PROBLEMS AND PROSPECTS FOR EUROPE'S NEUTRALS AND NONALIGNED STATES. Edited by Joseph Kruzel and Michael H. Haltzel. Washington: Woodrow Wilson Center/New York: Cambridge University Press, 1990, 323 pp. $39.50.

John Foster Dulles is long gone, but still Americans are prone to regard neutrality as, if not a sin, then a nuisance. This volume is a welcome antidote, neither extolling nor dismissing neutrality. Rather, it demonstrates the range of both the forms of, and the challenges to, neutrality. Kruzel's fine conclusion stresses the contrast between neutral realists, who believe quiet voices befit small powers, and neutral idealists, who seek to reshape the international system. This book is all the more valuable as

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Europe confronts new neutrals from Eastern Europe and new roles for neutrality in the post-Cold War order.

WAR, PEACE, AND VICTORY: STRATEGY AND STATECRAFT. By Colin S. Gray. New York: Simon & Schuster, 1990, 416 pp. $24.95.

Gray is always thought-provoking, and this book is no exception. It is a disquisition on the strategist's profession, not a recommended strategy for the United States. Its charge to strategists is complicated and demanding: for instance, to see a mosaic without making the mistake of "essentialism" or "reductionism" (i.e., strategy is *essentially* paradoxical; U.S. and Soviet theater forces are *essentially* akin) and to draw on history without reducing it to misleading analogies, such as Paul Kennedy's suggestion that America's overstretch resembles imperial Spain's.

GUARDIANS OF THE ARSENAL: THE POLITICS OF NUCLEAR STRATEGY. By Janne E. Nolan. New York: Basic Books, 1989, 320 pp. $21.95.

Nolan's story is not new but is told extremely well, a nice blend of journalistic digging and solid historical scholarship. Using the Strategic Defense Initiative as the frame, she recounts the continuing irony of American nuclear policymaking: rhetoric changes but actual plan for use of nuclear weapons stays the same. Like other shifts in public policy from McNamara to Carter, Reagan's SDI changed nuclear planning hardly a whit. Indeed, SDI itself cut off one key element of a transition to a nuclear world dominated by defense by making Moscow unwilling to move forward with deep cuts in offensive forces.

THE TRAINING OF OFFICERS: FROM MILITARY PROFESSIONALISM TO IRRELEVANCE. By Martin van Creveld. New York: Free Press, 1990, 134 pp. $19.95.

For this eminent military historian, now at the Hebrew University in Jerusalem, modern Western and especially American officer training, with an emphasis on advanced degrees and broad, thin war-college training, has had little or negative impact on military effectiveness in battle. The argument is provocative if not always consistent. On one hand, Soviet training may rank better than American; on the other, perhaps "military effectiveness as traditionally understood no longer matters much" in a nuclear era. If effectiveness in small wars does matter, skimpy training may be a minor handicap in comparison with the continuing fragmentation of the U.S. services themselves.

DEFINING STABILITY: CONVENTIONAL ARMS CONTROL IN A CHANGING EUROPE. By Schuyler Foerster and others. Boulder (CO): Westview Press, 1989, 117 pp. $19.95 (paper).

ENHANCING EUROPEAN SECURITY: LIVING IN A LESS NUCLEAR WORLD. By Ian M. Cuthbertson and David Robertson. New York: St. Martin's/Institute for East-West Security, 1990, 215 pp. $49.95 (paper, $16.95).

Both books are sophisticated but readable primers to conventional forces in Europe; both were written before the events of the last half year, but neither is outdated. Foerster and his coauthors, four American military officers, provide a handy summary of arguments about the balance of, and

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proposals for, alternative defense concepts, offering a useful measure for assessing arms control proposals. Cuthbertson and Robertson, two Britons, ask how to cut forces to make them less capable of long-distance invasion. Their premise is more suggestive still in the light of recent events: more European independence from Washington does not mean a more unified European action, but rather, more freedom for "heterogeneous and fissiparous European national interests."

SLOW BURN: THE RISE AND FALL OF AMERICAN INTELLIGENCE IN VIETNAM. By Orrin DeForest and David Chanoff. New York: Simon & Schuster, 1990, 294 pp. $19.95.

This is one for intelligence fans, not an assessment but a lively tale of a spymaster and his agents—"Goldmother," "Grandpa" and "Mad Bomber." The "fall" of the title is not the collapse of intelligence but of the American role in Vietnam, which left most of DeForest's agents to meet their fate at the hands of the advancing North Vietnamese.

THE INSECURE ALLIANCE: ENERGY CRISES AND WESTERN POLITICS SINCE 1944. By Ethan B. Kapstein. New York: Oxford, 1990, 257 pp. $35.00.

This scholarly history is a rare combination of political economy and security, one that looks hard at not only state interests but also the power structure of interstate relations. In the 1950s the United States could coerce its allies into common action; by contrast, the 1973–74 oil crisis turned into a scramble. Later in the decade more compatible interests made attempts at coordination possible, with mixed results.

FRENCH POWER IN AFRICA. By John Chipman. Cambridge: Basil Blackwell, 1989, 289 pp. $49.95.

This definitive study of France's role in black Africa after decolonization combines a Francophile's appreciation of the "soft" dimensions of power, like culture and language, with an Anglo-Saxon's perspective, one in which the French role retains imperial overtones.

General: Economic and Social

William Diebold, Jr.

PRODUCTIVITY AND AMERICAN LEADERSHIP: THE LONG VIEW. By William J. Baumol, Sue Anne Batey Blackman and Edward Wolff. Cambridge: MIT Press, 1989, 395 pp. $29.95.

Don't panic but keep worrying is the admonition one might draw from this book. There is no conclusive evidence, the authors say, that American productivity will fall below its historical trend or that other countries will surge ahead once they have caught up. But since one cannot be sure that these things will not happen, we are given sound prescriptions for long-run policy and a more dubious proposal for tax rebates geared to gains in productivity. The great strength of the book is a series of important analyses that show why many common generalizations about productivity, manufacturing, services and information are seriously oversimplified and often misleading.

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AMERICA'S ECONOMIC RESURGENCE: A BOLD NEW STRATEGY. By Richard Rosecrance. New York: Harper & Row, 1990, 230 pp. $22.50.

The most original part of this book explores why and how Japan could play a major part in helping the United States get out of its difficulties. Much of the rest is a ride on the bandwagon of the rise and fall of nations, with a standard prescription (provided by now almost over the counter) for American economic recovery. Recovery, we are told, requires an improvement in world politics and maybe a recession.

FOREIGN DIRECT INVESTMENT IN THE UNITED STATES. By Edward M. Graham and Paul R. Krugman. Washington: Institute for International Economics, 1989, 161 pp. $11.95 (paper).

Authoritative on the complex data, this succinct study also provides a clearly argued—and rather comforting—discussion of most of the allegations and worries that have surrounded the subject.

GOVERNMENTS AND CORPORATIONS IN A SHRINKING WORLD: TRADE AND INNOVATION POLICIES IN THE UNITED STATES, EUROPE AND JAPAN. By Sylvia Ostry. New York: Council on Foreign Relations Press, 1990, 122 pp. $14.95 (paper).

As the first Volvo distinguished visiting fellow at the Council on Foreign Relations, Ostry, a former high Canadian official, explores some of the increasingly complicated relations of government and business in the industrial world. Along with some general observations that challenge existing ideas and practice, her stimulating study sets out quite concrete recommendations for new measures to deal with antidumping rules and the many ways governments try to encourage innovation in industry.

TRADE AND INVESTMENT RELATIONS AMONG THE UNITED STATES, CANADA, AND JAPAN. Edited by Robert M. Stern. Chicago: University of Chicago Press, 1990, 448 pp. $55.00.

These ten papers—of high quality and often fairly technical—from a 1987 conference throw light on major aspects of the American, Canadian and Japanese economies but do not add up to clear prescriptions on policy.

JAPAN'S UNEQUAL TRADE. By Edward J. Lincoln. Washington: Brookings, 1990, 290 pp. $26.95 (paper, $9.95).

At the core of this valuable book is a careful and interesting explanation of why Japan has a "peculiar trading pattern" that makes it "extraordinarily different" from other industrial countries. There have been some changes, but to get more the United States must continue to bargain for greater openness in the Japanese economy and not "numerical outcomes" achieved by managed trade.

MAKING FREE TRADE WORK: THE CANADA-U.S. AGREEMENT. Edited by Peter Morici. New York: Council on Foreign Relations Press, 1990, 182 pp. $17.95 (paper).

Guided by one of the leading American experts on Canadian-American economic relations, six specialists from both countries sharply delineate the major problems involved in giving reality to the free trade area agreement. Their subjects are subsidies, economic adjustment, new institutions, Mexico's interest, future trade policy and the problem of international compet-

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itiveness that faces both countries (a specialty of Morici, who writes about it).

THE INTERNATIONAL POLITICS OF AGRICULTURAL TRADE: CANADIAN-AMERICAN RELATIONS IN A GLOBAL AGRICULTURAL CONTEXT. By Theodore H. Cohn. Vancouver: University of British Columbia Press, 1990, 280 pp. $36.95.

This very useful book fills a gap by analyzing in reasonable detail the place of agricultural issues in Canadian-American relations over the last few decades. In addition to good accounts of the way bilateral trade has been snarled by domestic farm policies and protectionism, Cohn pays much attention to global wheat exports and the way in which trouble between the two countries during some periods has contrasted with surprising mutual accommodation during others.

THE INTERNATIONAL DEBT CRISIS IN HISTORICAL PERSPECTIVE. Edited by Barry Eichengreen and Peter H. Lindert. Cambridge: MIT Press, 1990, 282 pp. $25.00.

After disparaging economic history for a generation or more, economists are beginning to look to it for help in understanding current problems. This integrated collection studies past surges of lending to developing countries and how they compare to present difficulties; the book is suggestive, reasonably rigorous and most interesting.

THE INTERNATIONAL MONETARY FUND IN A MULTIPOLAR WORLD. By Catherine Gwin, Richard E. Feinberg and others. New Brunswick (NJ): Transaction Books, 1990, 256 pp. $24.95 (paper, $15.95).

This excellent, concise volume provides a well-integrated set of proposals—most quite concrete—for giving the International Monetary Fund a greater influence on relations among the industrial countries as well as making it more helpful to the developing ones.

RESTRUCTURING THE GATT SYSTEM. By John H. Jackson. New York: Council on Foreign Relations Press (for The Royal Institute of International Affairs), 1990, 121 pp. $14.95 (paper).

After a thoughtful and expert examination of proposals for strengthening GATT, Professor Jackson of the University of Michigan Law School proposes a new World Trade Organization. It would accommodate many different kinds of economies and would tie together more limited arrangements (including GATT) in which smaller numbers of countries would want to participate.

DOLLAR POLITICS: EXCHANGE RATE POLICYMAKING IN THE UNITED STATES. By I. M. Destler and C. Randall Henning. Washington: Institute for International Economics, 1989, 174 pp. $11.95 (paper).

America is not yet used to having an exchange rate policy, but how its policy has been handled in the 1980s is the subject of this inquiring book. Only a few parts of the government are involved, and the authors recommend some changes to ensure that what has been "a strikingly private affair"—but one not immune to politics—actually serves the broad public interest. Naturally this gets them into matters of substance as well as process, and the book is all the better for it.

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PRESENT AT THE CREATION: THE FORTIETH ANNIVERSARY OF THE MARSHALL PLAN. Edited by Armand Clesse and Archie C. Epps. New York: Harper & Row, 1990, 188 pp. $29.95.

The chief attractions of this volume are the reflections on the Marshall Plan by some of the ablest of its veterans: Willard Thorp, Miriam Camps, Robert Bowie, Van Cleveland, Thomas Schelling and Herman Abs. Other papers of varying degrees of originality deal with a range of related subjects, including NATO.

The United States

Gaddis Smith

BOUND TO LEAD: THE CHANGING NATURE OF AMERICAN POWER. By Joseph S. Nye, Jr. New York: Basic Books, 1990, 307 pp. $19.95.

There are two principal strands to this controversial dissent from the "declinist" point of view associated with Paul Kennedy and others: first, that American output as a share of world product has changed little since the early 1970s; second, that a purely materialist approach to measuring power undervalues the "soft" power of language, culture and leadership. The upbeat conclusion: "The United States remains the largest and richest power with the greatest capacity to shape the future." The debate over the nature and trends of power must always come down to the question, "Compared to what?" Compared to other large nations these days, the United States stands well. Compared to the ideal of a healthy, well-educated, socially responsible polity, the picture is less positive than Professor Nye suggests.

THE SUICIDE OF AN ELITE: AMERICAN INTERNATIONALISTS AND VIETNAM. By Patrick Lloyd Hatcher. Stanford: Stanford University Press, 1990, 429 pp. $35.00.

This is an original, uneven book, brilliant in part but marred by a misleading title, an overstated accusation that the National Security Council staff "designed" the war, a strained dichotomy between "Whig" and "Tory" American internationalists, and an oddly disproportionate treatment of some topics (such as the popularity of James Bond books and films). Nevertheless, this is a serious study, based on wide reading and fresh archival research. The criticism of American assumptions about the Vietnamese economy and land reform is good. Hatcher believes the United States should have mined Haiphong harbor in the north and concentrated on providing physical security, before reform, in the south.

AMERICA'S HALF-CENTURY: UNITED STATES FOREIGN POLICY IN THE COLD WAR. By Thomas J. McCormick. Baltimore: Johns Hopkins, 1990, 273 pp. $38.50 (paper, $11.95).

Here is a tightly reasoned and controversial historical analysis of how, in the author's view, American foreign policy since 1945 sought and failed to establish the hegemony of the United States in a world system. Those who put more weight on the roles of accident and disorder in world affairs may disagree, but the theoretical rigor of the argument compels attention.

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CENTERSTAGE: AMERICAN DIPLOMACY SINCE WORLD WAR II. Edited by L. Carl Brown. New York: Holmes & Meier, 1990, 498 pp. $49.95 (paper, $24.95).

These 20 essays, expanded from public lectures at Princeton in 1987 by established, mainstream scholars, are a mixture of original research and familiar narrative. Some essays deal with regions and particular countries, some with individuals (Kennan, Dulles, Kissinger) and some with concepts and functions. A concluding chapter that draws lessons from the past, a bibliographical essay and a chronology enhance the volume's usefulness.

JOHN FOSTER DULLES AND THE DIPLOMACY OF THE COLD WAR. Edited by Richard H. Immerman. Princeton: Princeton University Press, 1990, 297 pp. $29.95.

Here are original essays by accomplished historians depicting John Foster Dulles as more complicated and calculating—though not necessarily farsighted—than the image propagated by an earlier generation of writers. He was masterful in achieving short-term objectives. His penchant for simplistic slogans was more a conscious public relations device than a reflection of the way his mind worked.

20th CENTURY JOURNEY: A NATIVE'S RETURN, 1945–1988. By William L. Shirer. Boston: Little, Brown, 1990, 484 pp. $24.95.

This is the concluding volume of a great American journalist's autobiography. Shirer, even when down and out during the abhorrent McCarthy years, never lost his independence and his dedication to quality produced by hard work. The long account of the writing of the monumental *Rise and Fall of the Third Reich* is especially good.

AMERICAN HEGEMONY AND THE TRILATERAL COMMISSION. By Stephen Gill. New York: Cambridge University Press, 1990, 304 pp. $39.50.

This balanced and informative analysis of the Trilateral Commission and related private international relations councils argues that "hegemony" should not be weighed in terms of unilateral power but through the influence of ideas and policies espoused by transnational elite groups. The discussion is mercifully free of the polemical, conspiratorial assumptions behind many studies of this subject.

WINNING THE PEACE: AMERIKANISCHE AUSSENPOLITIK UND DER COUNCIL ON FOREIGN RELATIONS, 1945–1950. By Michael Wala. Stuttgart: Franz Steiner Verlag, 1990, 331 pp.

In the five years after World War II American foreign relations went through major changes. How these changes were reflected in the work of the Council on Foreign Relations and the views of some of its prominent members are well set out in this detailed study by a German scholar who has dug deeply into the archives of the Council and many other primary sources. As background he tells the Council's history and shows how its wartime studies laid a foundation for thinking about the postwar world. One chapter analyzes the private efforts to promote the Marshall Plan in which some Council members played a large part. Dr. Wala is too good a historian to accept conspiratorial views about the Council's part in all these events, and makes his own balanced assessment of its influence. Not

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everyone will agree with his judgment about the limits on the activities of this "idea factory," but his case is well made and well expressed.

William Diebold, Jr.

THE CAREER OF HERBERT ROSINSKI: AN INTELLECTUAL PILGRIMAGE. By Richard P. Stebbins. New York: Peter Lang, 1989, 224 pp. $40.50.

Rosinski was an authority on the German army, on naval affairs and on grand strategy whose career and influence in Europe and America in the middle years of this century are chronicled, sympathetically and critically, by a colleague and close friend. John C. Campbell

LARGE-SCALE FOREIGN POLICY CHANGE: THE NIXON DOCTRINE AS HISTORY AND PORTENT. By Earl C. Ravenal. Berkeley: Institute of International Studies, University of California, 1990, 89 pp. $8.50 (paper).

This stimulating little book illuminates the flaws of the Nixon Doctrine "Phase I" (i.e., holding rigidly to the old concept of the containment of China while raising doubts about American commitments), describes and praises the shift to a true balance-of-power policy, and demonstrates that the once-discredited "rational actor" mode of analysis remains a necessary explanatory tool.

A QUESTION OF BALANCE: THE PRESIDENT, THE CONGRESS AND FOREIGN POLICY. Edited by Thomas E. Mann. Washington: Brookings, 1990, 265 pp. $29.95 (paper, $10.95).

The sensible and informed essays in this volume explicitly refrain from pontificating in favor of presidential or congressional primacy. They argue that the Constitution and the practicality of American democracy require a shared role for the two branches in the making and implementation of foreign policy. This truth may seem obvious, but it needs the kind of careful reiteration to be found here. Individual chapters deal with war powers, intelligence, arms control, diplomacy and trade policy.

AMERICAN DEFENSE AND FOREIGN POLICY INSTITUTIONS: TOWARD A SOUND FOUNDATION. By Duncan L. Clarke. New York: Harper & Row, 1989, 272 pp. $39.95 (paper, $16.95).

Most of this prescriptive volume is well informed and commonsensical. Presidents and other high officials should take management more seriously. Policies must be implemented rather than simply proclaimed. The Office of Management and Budget should be accorded a sustained and meaningful role. Links between the producers and consumers of intelligence should be made more effective. The very negative chapter on the Department of State, however, is dismissive and unfair.

THE PRESS, PRESIDENTS, AND CRISES. By Brigitte Lebens Nacos. New York: Columbia University Press, 1990, 228 pp. $32.50.

This is a meticulous content analysis of how *The New York Times*, *The Washington Post* and *The Chicago Tribune* reported and editorialized on presidential performance during six crises between 1962 and 1983: the Cuban missile crisis, the American invasion of the Dominican Republic, the Detroit riots, Three-Mile Island, the attempted assassination of President

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Reagan and the U.S. invasion of Grenada. The author concludes that these papers participated in supportive "rally round the flag" phenomena and that there was some connection between editorial positions and news reporting. The press was not in any sense out to get the president in any of these instances, White House delusions notwithstanding.

THE END OF THE AMERICAN CENTURY. By Stephen Schlossstein. New York: Congdon & Weed, 1990, 537 pp. $22.95.

This is a readable, but heavy-breathing, commentary on what the author thinks is wrong with America and right with our economic competitors, a travelogue scrapbook of interviews and quotations. His concern is how to preserve American hegemony; his prescriptions are to reassert leadership and national will in education and quality manufacturing, to forgo instant gratification for future strength, and to "galvanize the national consciousness, to bring [America's] commitment to the new age into white-hot focus."

The Western Hemisphere

Abraham F. Lowenthal

A MARRIAGE OF CONVENIENCE: RELATIONS BETWEEN MEXICO AND THE UNITED STATES. By Sidney Weintraub. New York: Oxford, 1990, 270 pp. $27.95.

A timely and illuminating study by one of this country's foremost experts on Mexico's economy and on U.S.-Mexican relations. As the populations of the two countries are by themselves becoming increasingly intertwined economically, demographically and culturally, Weintraub urges a policy of "managed integration" to allow each nation "to extract maximum advantage from the integration rather than futilely fighting it." Weintraub's grasp of economics and his sense of policy and policymaking are stronger than his empathy for Mexican politics, but the book's impressive strengths make it one of the best volumes available on this vital international relationship.

THE MEXICAN-AMERICAN BORDER REGION: ISSUES AND TRENDS. By Raul A. Fernandez. Notre Dame (IN): Notre Dame Press, 1989, 176 pp. $21.95.

A brief and useful guide to the changing characteristics of the extended region where the southwestern part of the United States and the northern states of Mexico intersect and produce dynamic tensions—"a tug-of-war of various contradictions." During the last forty years the border region has experienced a major transformation, involving the improved exploitation of water resources and the growth of mechanized agricultural industry; these trends spawn problems as well as solutions for both countries. Competing visions of how Mexico and the United States should relate to each other are likely to be sharply tested at the frontier.

REPRESSION AND RESISTANCE: THE STRUGGLE FOR DEMOCRACY IN CENTRAL AMERICA. By Edelberto Torres Rivas. Boulder (CO): Westview Press, 1989, 165 pp. $28.95.

Central America's best-known social scientist examines the region's

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crises of the 1980s in the light of the area's history, economic profile, class structure and international influences. A useful corrective to the many works that seem to assume Central America's struggles began only recently and are mainly due to Soviet, Cuban or U.S. intervention, this book explores the long-term causes and consequences of Central America's civil wars and puts forth a cautiously optimistic vision of indigenously generated democracy emerging from the region's travail.

NICARAGUA DIVIDED: LA PRENSA AND THE CHAMORRO LEGACY. By Patricia Taylor Edmisten. Gainesville: University of Florida, 1990, 142 pp. $19.95.

An informative journalistic account of the role played in recent politics by the Chamorro family: the slain publisher Pedro Joaquín Chamorro, his widow, who is now Nicaragua's elected president, and their children and cousins—deeply divided, like the rest of the country, by the Sandinista revolution.

MANAGING THE COMMANDING HEIGHTS: NICARAGUA'S STATE ENTERPRISES. By Forest D. Colburn. Berkeley: University of California Press, 1990, 151 pp. $25.00

A sobering appraisal of the difficulties Nicaragua's revolutionary Sandinista regime faced in trying to improve popular welfare. International constraints, managerial deficiencies and ideological flaws all contributed to the economic disaster of Nicaragua's state enterprises, ultimately undermining their political utility.

THE MILITARY AND DEMOCRACY: THE FUTURE OF CIVIL-MILITARY RELATIONS IN LATIN AMERICA. Edited by Louis W. Goodman, Johanna S. R. Mendelson and Juan Rial. Lexington (MA): Lexington Books, 1990, 326 pp. $45.95 (paper $24.95).

Seventeen scholars, most of them Latin American, contribute to this valuable symposium on one of the central problems affecting Latin America today: how to build constructive relations between the region's new democracies and their established military institutions.

REQUIEM FOR REVOLUTION: THE UNITED STATES AND BRAZIL, 1961–1969. By Ruth Leacock. Kent (OH): Kent State University Press, 1990, 317 pp. $30.00 (paper $18.50).

This study focuses on U.S. policy toward Brazil at the height of its efforts to shape Latin American politics in Washington's image. Although this account may well exaggerate the importance of the U.S. actors—both government and multinational corporations—it accurately reflects how many leading Brazilian commentators perceive the U.S. policy of this period.

Western Europe

Fritz Stern

MEN AND POWERS: A POLITICAL RETROSPECTIVE. By Helmut Schmidt. New York: Random House, 1990, 410 pp. $24.95.

An exceptional work for a world leader. Partly an autobiography, but mainly a record of his conversations and impressions, encompassing the

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three great powers of his time: the Soviet Union, the United States and China. True to form, Schmidt is a critical observer of leaders and national habits, ever willing to instruct. He is harsh on his closest foreign ally, the United States, and full of pique about some of its public servants. Lamenting the frequent changes in American policies, he warns that "in Europe we are also marching along the road . . . to television democracy," a flaw most highly developed under the Reagan presidency. The German version of the book was completed in 1987 and Schmidt's judgments of Soviet and Chinese leaders have been partly invalidated by subsequent events, but overall this is a work of absorbing interest and great historical value.

THE THATCHER DECADE: BRITAIN IN THE 1980s. By Peter Riddell. Cambridge: Basil Blackwell, 1989, 236 pp. $29.95.

The political editor of the *Financial Times* for most of the 1980s records the changes—accidental and intended—experienced by Britain during the Thatcher years. The emphasis is on the radicalism of intent and effect that Thatcher, inspired by her ideas of middle-class virtues, has had on Britain. The book is essentially a reckoning, with statistical data, of her economic policies: privatization, the promotion of popular capitalism and the attempt to cure Britain's stop-and-go malaise. The radical, and probably deleterious, effects of Thatcher on higher education are treated all too briefly and uncritically. With great respect throughout for Thatcher's leadership style, Riddell concludes: "In many respects Britain is a more divided, less secure and harsher society, but it is economically more competitive." The book was written before the uproar over the poll tax and the growing grumbling among Tories that Thatcher, with her plunging popularity, may not be the ideal leader for the next election.

MAGGIE: AN INTIMATE PORTRAIT OF A WOMAN IN POWER. By Chris Ogden. New York: Simon & Schuster, 1990, 384 pp. $22.95.

As Thatcher's political troubles grow, it is worth remembering her remarkable rise to power. She has become Europe's elder statesman and was, during the Reagan years, a privileged adviser to the White House. This lively and well-written biography is an important aid in trying to figure out how the Iron Lady will conduct herself in a time of turmoil and change in both Britain and Europe. William G. Hyland

AFTER 1992: THE UNITED STATES OF EUROPE. By Ernest Wistrich. New York: Routledge, 1989, 154 pp.

A British subject born in Eastern Europe summarizes existing European institutions, principally, of course, the EEC, and makes a case for a federated Europe encompassing most of the nations of the continent. He supports the principle of "subsidiarity" (a term coined in 1981 that is now a Brussels buzzword) and implies that the political union "shall only act to carry out those tasks which may be undertaken more effectively in common than by the Member States acting separately."

MARC BLOCH: A LIFE IN HISTORY. By Carole Fink. New York: Cambridge University Press, 1989, 371 pp.

The meticulous reconstruction of the life of one of the great historians of our century and of his important and—during World War II—heroic

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role in history. An excellent commentary on the intellectual and political life of France during his time.

FIRES IN THE NIGHT: THE SACRIFICES AND SIGNIFICANCE OF AUSTRIAN RESISTANCE, 1938–1945. By Fritz Molden. Boulder (CO): Westview Press, 1989, 162 pp.

The ambiguous role of Austria in the rise and fall of Hitler's Third Reich is attracting renewed attention among successor generations. Recent disclosures illuminate the contemptible wartime record of that country's current president, but newly declassified archives also permit a fuller assessment of the anti-Nazi resistance. Molden's 1979 autobiography told of his own role as secret agent for Allen Dulles, the American intelligence chief in wartime Switzerland (whose daughter he later married). He now fleshes out the broader picture with dozens of other human stories. Molden's unexceptionable conclusion is that just as the first postwar generation comfortably underestimated the numbers and crimes of Austrian Nazis, so also underestimated were the numbers and exploits of those who resisted. Peter Grose

JUSTICE NOT VENGEANCE. By Simon Wiesenthal. New York: Grove Widenfeld, 1990, 384 pp. $21.95.

Now 80, the beloved and reviled "Nazi hunter" pens his life story, and a riveting one it is. Born in Galicia, one of the most war-ravaged territories in the world, he miraculously survived World War II, with more than one hair's-breadth escape. Since that time he has been occupied mainly with tracking down Nazi war criminals who have gone into hiding and in pushing, through publicity, reluctant German and Austrian officials to bring war criminals to justice. But the title of the book is apt: in the Kurt Waldheim case, for instance, Wiesenthal holds that there is no proof that Waldheim actually committed any war crimes and he excoriates the media and the World Jewish Congress for promulgating unfounded charges and then refusing to back down. Lucy Despard

The Soviet Union and Eastern Europe

John C. Campbell

GORBACHEV: THE LAST TSAR. By Dusko Doder and Louise Branson. New York: Viking, 1990, 441 pp. $22.95.

If a reader is looking for the substance of the Gorbachev revolution, intelligently analyzed and all wrapped up in one volume, this is the book. Doder, a veteran correspondent, gives added life to the picture by drawing on his own intimate acquaintance with the Soviet scene and a number of interviews with persons involved in the current struggles. Writing so close to events, however, and eschewing caution in their assessment of events and personalities, the authors cannot claim unerring vision and perspective. Do they—does anyone—know who is controlling or will control the fate of that country? Gorbachev? His conservative opponents? The radical democrats? The weight of the Russian past? In any case the book informs, instructs, stimulates and raises vital questions.

CAN RUSSIA CHANGE? THE USSR CONFRONTS GLOBAL INTERDEPENDENCE. By Walter C. Clemens, Jr. Boston: Unwin Hyman, 1990, 384 pp. $19.95 (paper).

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Professor Clemens has put years of labor and much thought into pondering the question in the book's title and weighing alternative answers. He is not merely describing the Gorbachev reforms and debating whether they can succeed. He is looking at the entire experience of the Soviet Union over the 70-plus years of communism, the course of the Cold War—what it has meant for Russia, America and the world—and at the relevant aspects of Russian history prior to 1917. The uninitiated may find it heavy, and the initiated may find many points with which to quarrel, but the main argument for relations of "complex interdependence" is clear and convincing. Can Russia change? Yes, says the author, and it must. In a situation where both the Soviet Union and America are in need of a grand strategy for mutual benefit, a book such as this is welcomed.

AGAINST THE GRAIN: AN AUTOBIOGRAPHY. By Boris Yeltsin. New York: Summit, 1990, 263 pp. $19.95.

If all Soviet politicians were as outspoken as Yeltsin we would have no further need of Kremlinology. His autobiography, which intersperses vignettes of his 1989 election campaign with chapters on his past career, contains a strident defense of his own course over the past few years and a condemnation of not only the apparatchiks and hard-liners but also Gorbachev, for inconsistency, timidity and half-measures. One can see why Yeltsin, with his bluntness, posturing and admittedly "difficult character," has been such an annoyance to the present leadership, bound by the limits of practical politics and intractable problems. But with the quickening pace of change and his proven popularity, Yeltsin cannot be ignored.

THE DIALECTIC OF CHANGE. By Boris Kagarlitsky. New York: Verso, 1990, 393 pp. $60.00 (paper, $18.95).

After extensive discussion of developments in Western Europe, around the themes of reformism and revolution, the author turns eastward to Poland and the Soviet Union. Although the bulk of the book was written from 1983–85, with only a brief final chapter on the Gorbachev years, the questions raised and debated are not confined by time. A sociologist and New Left political philosopher, Kagarlitsky has his own interpretations of history and politics and presents them with cogency and conviction. Objecting to both the fetish with planning and the fetish with the market, he advocates "democratic socialism" (not traditional social democracy) and is now active in Moscow in the Popular Front for Perestroika, a movement pushing for radical reform.

TROTSKY: MEMOIR AND CRITIQUE. By Albert Glotzer. Buffalo: Prometheus Books, 1989, 343 pp. $24.95.

A biography of Trotsky and also, in large measure, an autobiography of Albert Glotzer, who was a friend and confidant of Trotsky and a figure of some importance in the American communist movement. He therefore had special advantages in writing this book, in which Trotsky's early years and revolutionary activity, while not neglected, are given less attention than the years in exile. Acquainted with earlier biographies (including Isaac Deutscher's, to which he takes strong exception on key points), Glotzer is himself a primary source on some aspects of Trotsky's life and thought. He served, for example, as "court stenographer" for the proceedings of the

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Dewey Commission. He is sympathetic to Trotsky as a man and thinker but critical of his frequent follies and misjudgments. A valuable contribution.

SOVIET NATIONAL SECURITY POLICY UNDER PERESTROIKA. Edited by George E. Hudson. Boston: Unwin Hyman, 1989, 343 pp. $49.95 (paper, $19.95).
THE USSR AND THE WESTERN ALLIANCE. Edited by Robbin F. Laird and Susan L. Clark. Boston: Unwin Hyman, 1990, 269 pp. $44.95.

The volume edited by George Hudson is an ambitious effort to assess the various aspects of security policy (military doctrine, weapons technology, civil-military relations, etc.) amid the changes that have marked the first years of the Gorbachev era. The authors, competent specialists, do well with the material at hand but have some problems shooting at a moving target. In general the tendency is to overstress continuity of policy from the Brezhnev into the Gorbachev period and to underemphasize the pace and magnitude of change. The Laird/Clark volume covers much of the same ground but is not so wide-ranging; it concentrates on Western Europe, with chapters devoted to Germany, France and Britain. The authors in both books assume continued Soviet control of Eastern Europe and therefore, like Western political thinkers, will now be doing some new thinking of their own.

THE IMPOVERISHED SUPERPOWER: PERESTROIKA AND THE SOVIET MILITARY BURDEN. Edited by Henry S. Rowen and Charles Wolf, Jr. San Francisco: Institute for Contemporary Studies Press, 1990, 380 pp. $29.95 (paper, $14.95).

These are technical essays by professional economists who, in dealing with matters such as rates of growth, investment and budgetary priorities, and the validity of official Soviet statistics, address questions of profound political significance for the Soviet regime and for East-West relations. There is reasonable and sophisticated analysis here, and a revision of common assumptions. Most of the conclusions are not at all encouraging for perestroika—even if there are major reductions in military spending. The book deserves the attention of Soviet planners and leaders as well as of those who try to penetrate these mysteries from outside.

INSIDE THE SOVIET WRITERS' UNION. By John and Carol Garrard. New York: Free Press, 1990, 303 pp. $22.95.

Two American scholars, diligent in their research, show how the Writers' Union in the Russian Republic has served the interests and the official line of the Communist Party since the time of Stalin. Their study is about literary politics and literary bureaucracy rather than literature. The system of rewards and punishments, of course, has ensured that nonconforming literature would be published only abroad or in samizdat. What now, with glasnost? Pasternak and Solzhenitsyn have been published in the U.S.S.R. But the union remains as an actual or potential barrier between writer and reader.

SOVIET WOMEN: WALKING THE TIGHTROPE. By Francine du Plessix Gray. New York: Doubleday, 1990, 213 pp. $19.95.

Soviet women are overburdened, exploited by their husbands and ill treated by their doctors. They are also clothes-mad and not at all interested

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in driving tractors or putting up with men. Households consisting entirely of two or three generations of women are widespread and seemingly perfectly content. Francine Gray marvels at the complexities and contradictions in the Soviet female character and she comes up with many surprises. On the whole she finds Soviet women not at all downtrodden, but formidable, and in many ways admirable. Lucy Despard

MEMOIRS. By Andrei Gromyko. New York: Doubleday, 1990, 414 pp. $24.95.

From the evidence of these memoirs the effect of glasnost on Andrei Gromyko was minimal. In his descriptions of events and personalities encountered in his long career in diplomacy he hews closely to the official Soviet propaganda line of the time, with manifold distortions of reality. The only exception is a chapter, written for this American edition, in which he deplores Stalin's crimes and seeks an explanation for them. In all, Gromyko served his government well as apologist and negotiator. Behind the stony-faced mask of "Mr. Nyet" there was, it seems, a stony-faced man of limited vision.

RUSSIA 1917: THE UNPUBLISHED REVOLUTION. By Jonathan Sanders. New York: Abbeville Press, 1990, 260 pp. $39.95.

Gradually the spirit of glasnost has penetrated the musty, sealed archives of Bolshevism to reveal this elegant collection of contemporary photographs, most never seen in the West, from the revolutionary year of 1917. Particularly haunting are the faces of people—both well known and nameless—trying to go about daily life as history crashes down upon them. Sanders places the remarkable images in context with an extended introductory essay. A coffee-table book with substance and impact.

Peter Grose

YALTA YESTERDAY, TODAY, TOMORROW. By Jean Laloy. New York: Harper & Row, 1990, 153 pp. $17.95.

Laloy is a French diplomat with long experience in Soviet affairs. Here he puts the Yalta Conference in the context of the whole course of Anglo-American-Soviet relations in World War II and its aftermath. He tells his story briefly but with all essential elements, pointing out the weaknesses and miscalculations of Churchill and Roosevelt but also disposing of the myth, widely believed in France thanks to de Gaulle, that Yalta was a cynical conspiracy to partition Europe. For tomorrow, the recommendation is not to go on arguing about Yalta endlessly but to understand it and learn its lessons.

THE SOVIET CONCEPT OF 'LIMITED SOVEREIGNTY' FROM LENIN TO GORBACHEV: THE BREZHNEV DOCTRINE. By Robert A. Jones. New York: St. Martin's, 1990, 337 pp. $45.00.

An excellent study, both historical and contemporary, of Soviet theory and practice in relations among communist parties and states: sovereignty, proletarian internationalism, socialist international relations and intervention. The Brezhnev Doctrine was not invented in 1968; its essence had long been Soviet policy. Is it still in force? Does it apply to rebellious constituent Soviet republics? The author concludes that it is too early to write its

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obituary. But he wrote that conclusion before the cataclysmic events of late 1989.

THE SHATTERED BLOC: BEHIND THE UPHEAVAL IN EASTERN EUROPE. By Elie Abel. Boston: Houghton Mifflin, 1990, 262 pp. $20.95.

With the advantage of a visit to Eastern Europe in 1988 Elie Abel has leapt to the fore in the race to bring out a book including the dramatic events of late 1989. His account shows some signs of haste but is an excellent survey for the general reader and is enriched by Abel's earlier experience as a correspondent in the region and his recent conversations with many East Europeans in all walks of life.

THE OTHER EUROPE: THE RISE AND FALL OF COMMUNISM IN EAST-CENTRAL EUROPE. By Jacques Rupnik. New York: Schocken Books, 1990, 291 pp. $22.95.

Somehow Rupnik, a writer of Czech origin now residing in the West, has outdone other scholars and journalists in capturing the essence of the communist system in central and Eastern Europe and the role of the intelligentsia in conforming to or resisting it. His book is more than a calendar of events: besides being a revealing study of cultural politics and political culture, it offers keys to understanding the problems of dismantling and replacing the system.

VENTS D'EST: VERS L'EUROPE DES ÉTATS DE DROIT? Edited by Pierre Grémion and Pierre Hassner. Paris: Presses Universitaires de France, 1990, 141 pp. Fr.98.

Scholars of differing disciplines and from different countries (U.S.S.R., Poland, Czechoslovakia, Hungary) write on the trends now evident in the East toward democracy, respect for human rights and the establishment of *états de droit*. Grémion in his introduction and Hassner in a concluding chapter bring clarity and depth of perception to Eastern Europe's choices and relate them to the destiny of the West. If there is to be a common European home, on what principles should it rest?

RED EAGLE: THE ARMY IN POLISH POLITICS, 1944–1988. By Andrew A. Michta. Stanford: Hoover Press, 1990, 280 pp. $27.95 (paper, $18.95).

General Jaruzelski is the central figure in this worthy monograph. As a representative both of Poland's historic military tradition and of the new, efficient postwar army, and with a reputation (not wholly deserved) as a soldier-patriot, he rose rapidly to power in the army and ultimately in the state apparatus, all the while consistently serving the interest of the Soviet Union and the communist system. Indeed, for a time he proved indispensable to it. Civil-military relations in Poland, Michta demonstrates, were unlike those anywhere else in Eastern Europe.

The Middle East

John C. Campbell

INTIFADA: THE PALESTINIAN UPRISING. By Don Peretz. Boulder (CO): Westview Press, 1990, 246 pp. $38.50 (paper, $14.95).

Peretz, who for more than four decades has been immersed in the

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Israeli-Palestinian problem with a devotion to objectivity and to the idea of reconciliation, gives the background and describes the course of the uprising and its effects on the two societies. Less colorful than *Intifada* by Schiff and Ya'ari (noted in *Foreign Affairs*, Spring 1990), Peretz's book is more organized and comprehensive in providing information, especially on the international dimensions of the conflict. It brings the reader to similar conclusions: the revolt will go on; no solution, by force or negotiation, is in sight; the effect is to polarize both societies and to threaten greater tension and violence in the future.

PARTY AND POLICY IN ISRAEL: THE BATTLE BETWEEN HAWKS AND DOVES. By Samuel J. Roberts. Boulder (CO): Westview Press, 1990, 212 pp. $26.50.

Israel's party system, deeply embedded in the nation's politics since before independence, provides the framework for the determination of foreign policy and imposes severe limits on it. This study by a U.S. State Department analyst is an excellent guide to understanding the relation of security policy and the "peace process" to the process of political struggle for power within Israel itself. Even though that struggle has been sharply fought both between parties and within them, the book shows that a rough national consensus on certain essential propositions has existed over many years of political change. This consensus is not likely to change and leaves little room for a negotiated settlement with the Palestinians, no matter which party forms the next government or how actively the United States pushes its peace initiatives.

REACHING FOR THE OLIVE BRANCH: UNRWA AND PEACE IN THE MIDDLE EAST. By Milton Viorst. Bloomington: Indiana University Press (for The Middle East Institute), 1989, 122 pp. $8.95 (paper).

This is the best available brief survey of the history and present role of the "temporary" U.N. body for Palestine refugees that was created in 1949 and bids fair to continue as long as the conflict over Palestine does. Viorst, who knows the Middle East well, retains his objectivity amid all the claims and counterclaims of the parties to this unsolved problem, takes note of what UNRWA might do to help a transition from conflict to peace, and makes good use of his recent contacts with officials of UNRWA and with those of the host countries.

AMERICAN PRESIDENTS AND THE MIDDLE EAST. By George Lenczowski. Durham (NC): Duke University Press, 1989, 321 pp. $40.00 (paper, $17.95).

Professor Lenczowski, a veteran scholar and observer of Middle East affairs, has taken the subject of U.S. policy and chopped it up into segments representing the terms of office of eight presidents from Truman to Reagan. The treatment is necessarily general and is based on published presidential memoirs and other familiar material, but the author adds some sharp views of his own and he does highlight the differences in attitudes and policies as the White House changed hands, along with the substantial elements of continuity. The influence of domestic factors in determining policy in the region, though by no means neglected by Lenczowski, remains a subject deserving exploration in depth.

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THE US-TURKISH-NATO MIDDLE EAST CONNECTION. By George McGhee. New York: St. Martin's, 1990, 224 pp. $35.00.

Ambassador McGhee gives his personal story of a period of important policy decisions concerning the eastern Mediterranean region from the announcement of the Truman Doctrine (1947) to the announcement of the Northern-Tier concept (1953). As coordinator of Greek-Turkish aid, and assistant secretary of state and ambassador in Ankara, McGhee was the ever-tireless champion of Turkey as the indispensable eastern anchor of NATO and the necessary bastion for defense of the Middle East. On the latter point his account of the unsuccessful negotiations for a Middle East defense organization from 1951–53 is of special interest. Turkey did not have the influence in the Arab world on which the plan's sponsors (and McGhee himself) had counted.

REVOLUTION AND FOREIGN POLICY: THE CASE OF SOUTH YEMEN, 1967–1987. By Fred Halliday. New York: Cambridge University Press, 1990, 315 pp. $54.50.

One may wonder if the politics of the People's Democratic Republic of Yemen warrant such extensive study as Halliday has bestowed on them. He asks himself that question and comes up with a positive answer (which the book as a whole serves to justify), given the country's strategic location, its inclination to subvert and fight its neighbors, and its place in Moscow's global strategy. The author is especially concerned with the relation of social upheaval and revolutionary politics to foreign policy, where the South Yemeni experience might conform to a more widespread model. One might question whether the pattern of personal intrigues, tribal jealousies and irrelevant ideologies so richly detailed here is comparable to anything anywhere in the world. But this chronicle will certainly be of interest to specialists in the affairs of the region and to those concerned with Soviet policy in the Third World.

THE MODERN ECONOMIC AND SOCIAL HISTORY OF THE MIDDLE EAST IN ITS WORLD CONTEXT. Edited by Georges Sabagh. New York: Cambridge University Press, 1990, 161 pp. $39.50.

A collection of papers presented at a conference honoring Charles Issawi, whose formal lecture reflecting his usual wisdom and urbanity, an historical comparison of the economy of the Middle East with those of other regions, constitutes the opening chapter. The other essays by well-qualified experts are self-contained studies on specific topics such as economic development, capital investment, migration, cultural loyalties, social change and education.

THE MIDDLE EAST AND NORTH AFRICA: ESSAYS IN HONOR OF J. C. HUREWITZ. Edited by Reeva S. Simon. New York: Columbia University Press, 1990, 541 pp. $55.00.

The papers by Hurewitz's colleagues and former students correspond to the range in time and space of his own interests and studies: from Morocco to Iran and from the 17th century to the present day. The struggle for Palestine, needless to say, gets due attention. Among the contributors are Don Peretz, John Waterbury, Gary Sick, Lisa Anderson and Ann Mosely Lesch.

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Asia and the Pacific

Donald S. Zagoria

TO AVOID ISOLATION: AN AMBASSADOR'S VIEW OF U.S.-JAPANESE RELATIONS. By Yoshio Okawara. Columbia: University of South Carolina Press, 1990, 182 pp.

The author, a distinguished Japanese diplomat who served more than 42 years in the Ministry of Foreign Affairs, has been a forceful proponent of close U.S.-Japanese relations and his analysis is even-handed. He quotes former U.S. Ambassador Mike Mansfield as saying that the Japanese market is not as closed as Americans think, nor is the U.S. market as open as Americans believe. He adds, however, that Japanese need to admit their market is not as open as many Japanese believe, and Japan must not falter in efforts to open doors wider if it is to change its negative image in America. The book also contains some interesting diplomatic history. Okawara notes that one salient aspect of the Reagan administration's Asia policy was to attach a pivotal position to Japan. This was a significant change from the Nixon-Ford-Carter approaches to Asia that emphasized China and the "strategic triangle" with the U.S.S.R. The Reagan administration's upgrading of Japan and the establishment of a much firmer U.S.-Japanese relationship was one of the major achievements of the Reagan presidency.

SOVIET RELATIONS WITH SOUTH EAST ASIA. By R. A. Longmire. New York: Routledge, 1989, 176 pp. $65.00.

The aim of this book, written by a former British Foreign Office Soviet specialist, is to chart the course of Soviet policy toward Southeast Asia since the beginning of the communist regime, and to try to discern whether there has been any pattern or consistency in it. The conclusion is that Soviet policy has been reactive and opportunistic, its main purpose being the enhancement of Soviet influence at the expense of China and the United States. So far, outside Indochina, the Soviet Union has had only modest success. The economic strength and military presence of the United States, the proximity of China and its ethnic links with the countries of the region, and the consolidation of Japanese economic power in the area have been major constraints on Soviet activity in Southeast Asia.

THE UNITED STATES AND THE DEFENSE OF THE PACIFIC. By Ronald D. McLaurin and Chung-in Moon. Boulder (CO): Westview Press/Seoul: Kyungman University Press, 1990, 353 pp. $42.50.

The authors' objective is to analyze the U.S. defense posture in the East Asia-Pacific area in greater detail than is customary outside narrowly military texts, and in this they succeed. There is more detailed information on U.S. defense deployments and security arrangements than is available outside Pentagon documents and posture statements. Thus the book will be a valuable source for scholars and policymakers. Missing, however, are a historical or conceptual framework for understanding the U.S. force posture in the Pacific and any effort to consider the rapidly changing strategic circumstances. The declining Soviet threat plus fiscal constraints will force a substantial reduction in U.S. forces in Asia (and elsewhere) during the 1990s. It would therefore have been helpful if the authors could

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have told us where forces might be cut, and in accordance with what criterion.

LEGACIES: A CHINESE MOSAIC. By Bette Bao Lord. New York: Knopf, 1990, 245 pp. $19.95.

Bette Lord's book is a beautifully written account of the lives of several Chinese, some clansmen and others with whom she became connected while living in Beijing as the wife of former ambassador to China Winston Lord. In its quiet, understated way it is a vivid indictment of the authoritarian regime and a splendid insight into the tumultuous Chinese revolution of the last half-century.

A GENERATION LOST: CHINA UNDER THE CULTURAL REVOLUTION. By Zi-Ping Luo. New York: Henry Holt, 1990, 342 pp. $22.50.

Zi-Ping Luo, a chemistry professor at California Polytechnic University, provides an engrossing account of her life as a young girl growing up during the Cultural Revolution. Written in the form of letters addressed to a disillusioned compatriot, the author tells the story of her family's survival during those dark, violent years. After the Red Guards closed down the schools and universities, the Luo children risked imprisonment to continue their own education program covertly. A portrait of personal courage and a testament to the strength of family. Patricia Dorff

WANDERING KNIGHTS: CHINA LEGACIES, LIVED AND RECALLED. By Robert W. Barnett. Armonk (NY): Sharpe, 1990, 166 pp. $24.95.

Robert Barnett, a retired diplomat born in China, has spent much of his life trying to understand those ingredients in "Chineseness" that he believed to be unmistakably identifiable. Although this book falls short of that particular quest, it is nonetheless a touching memoir of Barnett's friendship with a Chinese classical scholar, Professor Sun Yutang. After first meeting in China during World War II and discovering they shared an interest in China's ancient history, the two men lost contact with each other—only to rediscover old values years later, and to discuss new concerns between their two countries. The chapter on human rights in China is on the mark. Patricia Dorff

CHINA AND THE CHALLENGE OF THE FUTURE. By Carol Lee Hamrin. Boulder (CO): Westview Press, 1990, 257 pp. $26.50 (paper).
CHINA'S FOREIGN TRADE REFORMS. By John C. Hsu. New York: Cambridge University Press, 1990, 221 pp. $49.50.
CHINA'S MODERNISATION: THE STRATEGIC IMPLICATIONS FOR THE ASIA-PACIFIC REGION. By Gary Klintworth. Canberra: Australian Government Publishing Service, 1989, 127 pp. $14.95 (paper).

Hamrin's book, based on interviews in China from 1985–87, plus a decade of experience in analyzing Chinese politics, displays a rare mastery of Chinese politics, decision-making processes and elite conflicts. There are rich insights into the origins of the systemic crisis of 1989. She discusses what she calls the two waves of reform (1979–82 and 1983–84) and the failure of the third wave in the year or two preceding Tienanmen Square. John Hsu explores the impact of the reforms on foreign trade and concludes that further reform of foreign trade is now dependent on

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further revisions in the economic system, particularly in prices. Klintworth stresses China's growing military power—particularly its growing naval reach. The next decade will see China's largest and most ambitious naval expansion since the Ming Dynasty.

Africa

Jennifer Seymour Whitaker

MY TRAITOR'S HEART. By Rian Malan. New York: Atlantic Monthly Press, 1990, 349 pp. $19.95.

In this extraordinary self-exploration, a white South African (liberal by temperament) confesses to his racial fears and to the almost unbridgeable divide he sees between blacks and whites at the tip of Africa. His book aims first at a panoramic view of the violence inherent in white-black relations as well as in blacks' dealings with each other. As he confronts his fears, the story becomes an exploration of whites' paranoia about the "darkness of Africa" in their black compatriots. Thus, as the narrative builds, we lose sight of the social causes of black violence and even of the urban setting where most blacks live and work, in a fascinated focus on tribally rooted terrors. No bigot and always brutally honest, Malan admits to his own racism, but the ultimate effect of his narrative, nonetheless, is to blame the victim.

UNDER THE HARROW: LIVES OF WHITE SOUTH AFRICANS TODAY. By Suzanne Gordon. London: Heinemann, 1990, 369 pp. (North Pomfret (VT): David & Charles, distributors, $29.95.)

This collage of white South Africans (which follows Gordon's parallel book of interviews with black domestic servants) evokes real people against a rich succession of backdrops. Gordon's extraordinary sense of South African locale infuses her characters' personae and stories, conveying the material comfort and energetic sense of striving many of them share. It is doubtful that a group characterized by almost universal good humor and realized ambition is typical, but they are undoubtedly quite variegated politically. For most of them, however, the current approach to black-white relations of F. W. de Klerk goes to the margin of political acceptability—or far beyond. The beauty and comfort of their lives could all be swept away.

HIGHER THAN HOPE: THE BIOGRAPHY OF NELSON MANDELA. By Fatima Meer. New York: Harper & Row, 1990, 464 pp. $19.95.

A South African sociologist who is also a Mandela family friend offers an uneven but interesting portrait of South Africa's preeminent black leader. Strongest on details about Mandela's childhood in the rural Transkei and his relationship with wife and children, Meer's account shows the man quite fully but blurs the political role. What comes through most clearly is how far the years of virtual isolation and continuing political commitment appear to have intensified the human warmth of husband, father and friend.

AGENDA FOR ACTION: AFRICAN-SOVIET-U.S. COOPERATION. Edited by Anatoly A. Gromyko and C. S. Whitaker. Boulder (CO): Lynne Rienner, 1990, 290 pp. $15.95 (paper).

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Assembling a first-rate mix of African, American and Soviet scholars, this collection deals with yesterday's policy issues, but delves imaginatively into today's and tomorrow's development problems, including the environment, epidemiology, telecommunications and arms transfers. Nonetheless, with central Europe now the almost exclusive focus of "confidence-building" efforts between the superpowers, it seems essential for a study of this sort to ask quite insistently, as it does not, *why* cooperation in aiding Africa should be on the U.S. and Soviet agendas. A little more skepticism about good intentions would give the book's many excellent prescriptions more credibility.

CONTEMPORARY WEST AFRICAN STATES. Edited by Donal B. Cruise O'Brien, John Dunn and Richard Rathbone. New York: Cambridge University Press, 1990, 227 pp. $47.50 (paper, $12.95).

The collective efforts of a group of Irish and British scholars have given us an excellent survey of contemporary West Africa. Eschewing answers for questions and theory for narrative, their common perspective is shaped by modest expectations—their approach leans heavily on political history to explain outcomes. Looking at the bleak record of recent decades, one of the editors, John Dunn, takes a very long and marginally positive view, concluding that West African regimes have "done a great deal less damage than they might have done," and have succeeded in providing a measure of protection for their people. More than this—e.g., economic development—he implies, would be asking too much.

CAMPING WITH THE PRINCE AND OTHER TALES OF SCIENCE IN AFRICA. By Thomas A. Bass. Boston: Houghton Mifflin, 1990, 304 pp. $20.95.

The author's continental tour takes him to some of the main outposts of scientific research in Africa: The International Centre of Insect Physiology and Ecology in Kenya, the Cape Maclear research into the extraordinary evolutionary diversity of the fish in Lake Malawi, the International Institute of Tropical Agriculture in Nigeria, the rehabilitation project for Turkana herdsmen in Kenya, an archeological dig in Zaïre, and the virus laboratory in Ibadan, Nigeria. Richly informative on the African environment, health, agriculture and social life, the book depicts these various endeavors partly through the commanding personalities of the African and Western scientists who created them. The accounts of each individual's efforts become gentle parables on the relation between African material and spiritual life and the pervasive influence of the West.

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Edited by Janis A. Kreslins

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